The First Fund Managers:
Life Insurance Bonuses in Victorian Britain

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Life insurance companies absorbed a large amount of the surplus capital that became increasingly dispersed throughout British society in the nineteenth century. In this they joined a number of other institutional investors, including building societies, savings banks, fire and marine insurers, commercial banks, and trust companies, each of which performed different social and economic functions. Socially, these institutions catered to people from all classes, ranging from the working man who paid a penny a week to his burial club to the aristocratic spinster who converted her inheritance into a comfortable living wage with help from a trust company. Economically, they were split between those which existed primarily in order to pass along most of the interest they earned to their customers, and those for which investment was secondary to the task of insuring against contingent outcomes. Within this range of investors, life offices occupied a middle ground socially and economically. Their main customer base was middle class, with the exception of a small number of “industrial” offices which sold working-class funeral benefits. In economic function, they sat somewhere between the straightforward investment role of banks and trusts and the subordinate role of investment that existed in other forms of insurance. The basis of this hybrid status was the companies’ practice, prevalent by the mid-nineteenth century, of periodically dividing surplus income or “profit” among policyholders. Unlike purchasers of fire or marine insurance, who were satisfied to receive claims on damaged property and let the company keep whatever remained of their invested premium income, Victorian life insurance customers demanded a share in the interest earned on their collective savings in addition to financial protection against premature death.

If this sense of rightful participation in the fruits of investment set life customers apart from their fire and marine counterparts, other qualities distinguished them from bank patrons and members of trust
companies. Most obviously, life office funds were less available for withdrawal by the person contributing the funds. Consequently, policyholders participated in their company’s investment activities in a strictly prospective sense: they could vicariously watch while their policies increased in value, but only the wife, child, or creditor named as a beneficiary could use that added value as a means of monetary exchange. Life offices offered three varieties of solace to customers who were tempted to choose the easy access of the bank balance over the distant disbursement of the life fund. First, as Charles Babbage noted, locking up funds in a life policy diminished the chances of sacrificing that savings to meet “any temptation of luxury, or any unexpected expense” (34). Second, because the funds were locked up, they could take full advantage of the power of compound interest; this “great wizard” guaranteed that even people who exceeded their expected term of life would earn more for their heirs than they paid in (Insurance Record 4 [1866]: 218. IR hereafter). And if these two arguments failed, the life office redirected its customers’ attention away from its relative merits as a fund manager to the basic advantage which set it apart from the bank: even if the customer died an hour after paying his first premium, the full value of the claim would be paid (see Lawrance 11–12). These arguments were enough to convince most middle-class Victorians—especially those whose continued survival mattered financially to their dependents or creditors—to divert at least some of their surplus wealth from bank accounts or trust funds into insurance policies. In 1880, British life offices held £150 million in invested capital compared to £470 million in bank deposits; by 1914, life office funds stood at £530 million, half of the billion pounds held by banks and roughly six times the amount held by trust companies (Supple 332; Alborn, Conceiving Companies 142; Cassis 163).

Despite attracting only half as much wealth as banks, life offices were better than banks at attracting attention to investment as a social practice. Interest on a bank deposit was fixed, and it accrued in increments that were so small as to pass unnoticed by all but the most fastidious customer. The money life offices added to their policyholders’ stipulated claims, in contrast, was not fixed across time, nor did it accrue in increments that were unworthy of note. Since life offices had to balance their declared bonus against the continued security of the life fund, they periodically adjusted the level of surplus that was returned to their policyholders. And since the task of calculating a safe
and fair bonus was hugely labor-intensive, most offices waited at least five years between declarations. These two factors turned the life insurance bonus into a significant event, to be first anticipated and then experienced with either gratification or disappointment. Although life offices did not originally intend this outcome, the bonus meeting would eventually become a potent marketing device, attracting customers’ attention to a firm’s underwriting efficiency and investment savvy. When a company’s savvy was lacking or its luck ran out, on the other hand, the public spectacle of the bonus meeting threatened to exaggerate its deficiencies in the eyes of its customers and competitors.

Most economic historians have thoroughly appreciated the important contribution of life insurance to the Victorian capital market. Few, however, have heeded the more subtle sense in which life offices, through their bonus declarations, publicized money’s reproductive powers. This relative lack of curiosity about the companies’ social role as fund managers dates back to Victorian times, when financial writers (if not the companies themselves) subordinated investment matters to the quasi-sacred task of aiding widows and children. Sound portfolio management appeared in such accounts as playing a necessary but supporting role in the working of a life office. In this regard the Equitable Society, founded in 1762 as the first “modern” mutual life office in Britain, casts a long shadow on the subsequent history of insurance. Managed by William Morgan from 1776 to 1830, the Equitable invented the system of sharing surplus income with policyholders, hence popularizing the practice. Yet for all his apparent encouragement of bonuses, Morgan condemned competing firms and his own policyholders if they viewed life insurance in that way, and his suspicion of mammon established deep roots in the moral economy of Victorian life insurance (Ogborn 114–65).

Recent historians have noticed exceptions to this general story without altering its main features. They have pointed to the rash of life offices that formed during the Napoleonic Wars, mostly as vehicles for shareholders to enrich themselves by pocketing the difference between fixed death benefits and inflation-leavened reserves (Pearson). They have also aptly described the policyholders in these offices (who paid more than their life risks were worth and only rarely participated in the inflationary windfall) as dissolute aristocrats who had no choice but to pay usurious rates for life insurance as security against their debts. Yet even these early “investment clubs” are typically held out as exceptions
which prove the rule of subsequent Victorian moralism, since their financial success could not last forever (it ended once prices fell after the war) and since they preyed on a self-limiting market (even regency England eventually ran low on spendthrift aristocrats) (Trebilcock 1: 624–43).

The same assumption regarding the relative status of underwriting versus investment informs historians’ views of British life insurance at the end of the nineteenth century, when the industry moved explicitly in the direction of fund management. The most popular policy on the market after 1890 was endowment insurance, which combined term-life coverage (typically for twenty years) with an annuity which took effect once the term ran out.2 Unlike the whole-life policies they largely replaced, endowment policies encouraged customers to take a direct interest in their office’s asset performance. Actuaries at the time resisted the innovation for as long as they could owing to its apparent departure from Victorian tenets of “thrift” (see Rodger 25–26), while outside critics suggested that customers in search of a pension plan would be better off letting a higher-yielding trust company handle their money (Trebilcock 2: 87–88). Most historians have split the difference, presenting endowment insurance as an inefficient transition between traditional Victorian life business and the industry’s present-day focus on pension management and financial consulting (Supple 253–56).

By viewing Victorian life insurance as a half century of prudence sandwiched by emphases on investment that were either irresponsible or ineffective, these accounts ignore the constant presence of portfolio management as a very public side of the industry throughout the nineteenth century. Specifically, they minimize both the central debates which agitated life offices in the 1830s as they formulated competing bonus schemes, and the subsequent impact of bonuses on management and marketing. Most such schemes gave most British policyholders a tangible reason to pay close attention to the investment performance of their office. And since most bonuses were not payable until after the policyholder’s death, it was even possible for insurance companies to display a heartfelt interest in such matters without relinquishing their reputation for thrift. As The Economist claimed in 1846, life insurance made “the rate of interest—against which, under the name of usury [. . .] torrents of obloquy are sometimes poured out—a subject of far greater importance to social welfare than is generally supposed” (4: 1589).
Victorian investment straddled what Viviana Zelizer has identified as a division in the moral economy of risk-taking between “rational speculation that dealt with already existent risks” and “pure gambling which created artificial risk” (86). British life insurance mainly occupied the latter side of this divide for much of the eighteenth century, infamously fueling the morbid aristocratic pastime of wagering on the demise of at-risk strangers, until the Gambling Act of 1774 intervened by requiring all beneficiaries to have a legitimate financial interest (either as a dependant or creditor) in the life insured. As Geoffrey Clark has argued, this law did not “signal the death of life insurance’s ‘gambling phase’ and the birth of its ‘prudential phase,’” since it “could not uniformly segregate” prudence from speculation (Betting on Lives 22, 26). Efforts to effect just such a segregation continued throughout the nineteenth century, however, first in a series of common-law rulings that defined permissible levels of “insurable interest,” then more subtly with the extension of bonuses. These efforts arguably rendered middle-class life insurance (if not its working-class equivalent) safe from the cultural designation of “pure gambling” by the final quarter of the nineteenth century (Alborn, “A License to Bet”). But as I argue below, bonus declarations introduced a new tension into life insurance’s moral economy, this time between the prudent social practice of well-regulated investment and the choreographed drama of public spectacle. Ironically, the bonus declaration’s public status colored each side of this Janus face: while subjecting customers and shareholders to manipulative display, it also provided them with the information they needed to be able to hold companies to basic (albeit imperfect) standards of accountability.

I. Life Insurance Bonuses: Criticisms and Evolving Justifications

Asset management has traditionally been a trade in which a special premium is placed on the possession of accurate information. The investor with the most current knowledge about the present and prospective position of the widest range of stocks will outperform the market to the greatest extent. It is hence ironic that life offices, which prospered as institutional investors from the late eighteenth century, owed so much of their initial prosperity to actuarial ignorance and failed foresight. Lack of accurate vital statistics led the Equitable and succeeding firms to set premiums which erred substantially on the safe
side; this, together with an excusable failure to anticipate the inflationary windfall during the Napoleonic Wars that would pad the face value of their reserves, meant the price of a typical policy far exceeded what was needed to meet their claims. As life offices watched their surpluses grow, they realized that part of this excess could be safely added to the value of policies, in the case of a mutual society, or to shareholder dividends, in the case of a “proprietary” (or joint-stock) society. As news of the Equitable’s largesse to its policyholders surfaced, market pressures led many of the latter firms to share at least some of the windfall with policyholders as well.

The first life insurance bonus, in the modern sense, was a cash distribution by the Equitable in 1776, two decades after it had been established. Its actuary, William Morgan, calculated an available surplus of £25,143, out of which he divided £11,000 among the Society’s members. Further divisions followed—five between 1781 and 1795—but these, unlike the first, came as additions to the value of the policy and were payable, like the policy itself, upon the member’s death (Raynes 134). By 1809, a £1,000 Equitable policy taken out in 1770 had increased almost fourfold in value to £3,900 (Ryan, “Early Expansion” 171). From the individual policyholder’s perspective, such impressive gains needed to be taken with a grain of salt, since they mainly compensated beneficiaries for forty years’ worth of overcharges and for the reduced purchasing power that came with inflation. From the perspective of the Equitable as an institutional investor, however, the advantages of the reversionary bonus were less ambiguous. Since the transfer of funds was only on paper, the office could declare a substantial bonus without sacrificing its ability to make long-term investments. Hence bonuses did not detract from one of the leading financial advantages of life insurance, namely that its precisely calculable, long-term liabilities opened up investment options (such as municipal bonds) which were closed to firms with more pressing liquidity issues.

By 1810, the Equitable’s bonus policy was having two effects, neither of which Morgan savored. The first was that the prospect of sharing in its substantial wartime gains led to a dramatic increase in membership. To most life office managers this would have been gratifying enough—but Morgan was concerned, to the point of paranoia, that its new members would endanger the society’s solvency by voting themselves extravagant surpluses. He dealt with this threat in 1816 by convincing a majority of the existing members of the society (numbering
9,500 at the time) to restrict the bonus to the 5,000 members who had been with the society the longest (Ogborn 156–57). The first effect of the Equitable’s financial success directly led to the second, which was that several life offices formed in order to compete with its unique combination of insurance and fund management. Some of these, like the Norwich Union (est. 1808), copied its purely mutual constitution; others, like the Atlas and the Globe, retained the entire surplus for the benefit of their shareholders. Morgan did the Norwich Union a huge favor when he restricted the Equitable’s bonus in 1816, the same year the newer office announced its first bonus of 20% on all premiums paid. New premium income at the Norwich Union nearly tripled from £304,000 in 1815 to £815,000 in 1818, while new Equitable customers declined from 600 to 200 per year between 1816 and 1841, as customers shrewdly flocked to the office where they would not have to wait decades for their bonus to start accruing (Blake 25; Morgan 67).

Initially, strictly “proprietary” offices were content to let mutuals lure middle-brow customers with the prospect of profit-sharing, and focused instead on the numerous upper-class customers who took out life policies as security against personal debts. Since many of these policies terminated with the loan, accumulated bonuses would seldom have been large enough to be a priority in such customers’ choice of office. Indeed, the very idea of customer choice was often irrelevant in their case, since such policies were usually arranged by attorneys who had social or financial incentives to steer clients to a non-bonus office (De Morgan 258–59). Under this system, policyholders got what they paid for (a license to borrow), even though what they paid was demonstrably excessive. The obvious winners were the shareholders, who received in higher dividends what the fortunate 5,000 policyholders in the Equitable were getting as bonuses. This started to change after 1820, however, when a wave of new proprietary companies pressed against the built-in limits of the aristocratic market. Attracting shareholders to these new companies was easy, given the phenomenal dividends and rising share prices of the 1810s; attracting customers was not, and without customers there was no hope of surplus premium income being siphoned into shareholders’ pockets.

An obvious strategy for joint-stock life offices in search of new customers was to imitate the Equitable and Norwich Union, and return part of the excess premiums to their policyholders. Hence emerged a new sort of “profit-sharing” company in which set proportions of the
surplus were periodically distributed as bonuses to policyholders as well as shareholders. The Rock and the Provident pursued this strategy from their commencement in 1806; others switched over to profit-sharing once they recognized its potential for increasing market share. When the Eagle decided to divide 80% of its surplus among policyholders in 1826, its directors presented the scheme as “something to be done in these days of competition to obtain public patronage” (Eagle Insurance, Board Minutes 3 January 1826). Although not all shareholders were happy to part with such a large proportion of their dividend, the directors prevailed, and within a year they proved the malcontents wrong by announcing an eight-fold increase in business since making the change (Eagle Insurance, Board Minutes 6 February 1826, 31 August 1826). By 1840, more than fifty of the sixty-four proprietary British life offices were returning at least a third of their surplus reserves to policyholders (Popular View 56–60). By 1860, most large proprietary offices were dividing upwards of four-fifths of their profits with customers. The only time these levels of profit-sharing conflicted with shareholder interests was when a company bore unduly high levels of paid-up capital, and hence had to stretch a smaller surplus over a wider surface. This problem sank the Globe, which could no longer deliver satisfactory dividends on its £1 million in paid-up shares once it started sharing two-thirds of its profits with customers in 1859. Five years later it was forced to merge with the recently established Liverpool and London office (Walford 5: 428–31).

If the ease with which life offices accumulated surpluses between 1780 and 1820 led many companies down the path of profit-sharing, it inspired others to isolate the main source of these surpluses—unduly high assumed mortality—and offer, as an alternative to bonuses, lower up-front premiums based on more accurate vital statistics. The Equitable’s rates, which nearly all life offices copied prior to 1820, had been based on Richard Price’s investigation into mortality records from a Northampton parish between 1735 and 1780 (Ogborn 110). A new table published in 1815 by the Sun’s actuary, Joshua Milne, based on birth and death records from Carlisle between 1779 and 1787, offered a closer approximation, with premiums between 22% and 28% lower (depending on age) than rates based on the Northampton data (Sturrock 16). Such data did not automatically translate into a new set of lower premiums, however. Some new companies did offer reduced rates, together with effusive arguments defending the superior justice of their
approach, but few of the older offices followed suit. Since the older firms
could no longer defend the bonus as an artifact of actuarial uncertainty,
they redefined it as a useful savings mechanism that was unavailable to
policyholders who tried to invest money on their own. With this response,
which mostly succeeded in staving off the cheaper companies, the Victo-
rian life office went from being a fund manager by default to taking on
asset management as a central feature of its business.

Of the new low-premium offices, the most popular were the
Scottish Provident (est. 1837), which charged between 19% and 22%
less than the Equitable up to the age of 45, and the Economic (est.
1823), which offered 14% lower rates at younger ages (Popular View 56–
60). Two other successful offices, the Life Association of Scotland (est.
1838) and the London Life, charged standard rates up front but
reduced premiums once surpluses had been calculated (Morgan 70;
Low 20–21).6 Defenders of these offices closely identified lower rates
with recent scientific and social progress. Charles Morton, a Scottish
Provident director, noted in 1842 that bonuses had been “engrafted” to
the original system of life insurance “as a device [...] to palliate the
ersors arising from their rates being founded on old and exploded
tables of mortality” (Scottish Provident 8). John Sturrock, in his Prin-
ciples and Practice of Life Assurance (1836), similarly called bonuses
“stumbling-blocks in the way of the provident and frugal” who wanted
to insure their lives but could not afford an added contribution to a
mutual fund (24).

Bonus offices fended off such charges by invoking two new
justifications for profit-sharing, both of which subordinated their
“insurance” to their “investment” function. The first presented the
reversionary bonus as a guarantee that even those members whose paid-
in premiums exceeded the nominal value of their policy would come
out ahead in the end; the second pointed to the life offices’ ability to
achieve higher yields on their members’ combined savings than policy-
holders could earn individually. The first of these justifications marked
a clear, if cautious, retreat from the altruism that lay at the heart of all
forms of insurance. This was evident in a sales brochure’s appeal to the
bonus as an effective answer to the customer’s objection that “I like my
money to be making money for myself, not for other people” (Eagle
Life Insurance, Gift to the Uninsured); and in the consulting actuary
Arthur Scratchley’s observation that the bonus “removes the only
selfish objection to which that beneficent invention of science was
formerly open: *viz.*, that those, who *live*, pay for those who *die* beforehand,” since it tended “continually to restore the balance of advantage to those members, who survive each division of profits” (9).

To deliver on its appeal to the selfish policyholder, the bonus office needed to deliver a superior level of asset management. Otherwise policyholders would just deposit the extra money charged by a bonus office in a bank, or play the market on their own. The Commercial Life’s prospectus echoed numerous others when it urged that life offices “possessed [. . .] much more ample opportunities of investing Capital advantageously and safely than usually occur to an individual,” and an extensive promotional literature contrasted the investment record of life offices with the more sluggish performance of banks (for contrasts with banks see, for example, Low 28–29; *Popular View* 33–35; Rhind 10). Life offices also argued that insurance policies, unlike bank deposits or company shares, represented a more *prudent* form of investment since by locking up a person’s money they both improved its yield and guaranteed its future availability. A policyholder could cash in his or her policy, but only by accepting a “surrender value” which was seldom more than half its face value; and since the life office could hold onto most of its customers’ funds for the duration of their lives, it could advantageously invest them at compound interest. The Star, a Methodist office, explained how it was possible for a man who “lives out his expectancy” to provide his heirs with £500 more than the £889 he had contributed to a £1,000 policy by appealing to the “marvellous power of Compound Interest.” Comparing small things to great, the Star likened the 39% addition to the man’s policy over the course of nearly thirty years to the “sixty sextillions sterling” that would accrue to “one penny invested at 5 per cent. Compound Interest at the same time of the birth of Christ.” It hastened to add that such miraculous yields were unavailable to “[s]mall investors [. . .] who think they ‘can do much better themselves’” (Star Life 1895).

By varying their emphasis on these new justifications for profit-sharing, life offices evolved a bewildering diversity of bonus schemes between 1820 and 1850. At one extreme were the tontine offices, which steadfastly reserved the lion’s share of the bonus to those whose premium payments had subsidized losses arising from premature claims. The Equitable and Norwich Union achieved this by restricting participation in the bonus to the 5,000 members who had been insured for the longest period. Others, including the Gresham and Standard,
paid bonuses in proportion to the number of years each member had been insured at the time of each division (IR 14 [1876]: 370; Standard 8). At the other extreme were offices that started adding value to their customers’ policies as soon as they were purchased, treating the surplus as an investment fund that was wholly separable from the insurance side of the contract. Most life offices steered a middle course between tontines and immediate bonuses by requiring policyholders to survive a short period (usually three to five years) before becoming eligible to share in the surplus.7

Several tontine offices, especially the Gresham and Standard, enjoyed considerable success through the 1860s.8 Over time, however, tontine divisions on the Standard’s plan suffered from an actuarial Achilles’ heel, which ultimately detracted from their popularity. As members of these offices grew collectively older, the surplus was spread over an increasingly wide surface, which diminished average bonus levels in proportion to policy value (Ryan, “Early Expansion” 187, 196). The Norwich Union, for its part, suffered the same difficulty attracting new business in the 1840s as the Equitable had fifty years earlier, when its privileged class of 5,000 bonus-receiving members forced the newly insured to wait many years for their first bonus. Competing offices, like the Scottish Widows’ Fund, relentlessly drew attention to these failings, and one after another the tontine offices switched over to new division schemes starting in the 1860s (IR 3 [1865]: 136; Ryan, “History” 371). Tontines underwent a brief revival after 1870, when American firms like the Equitable and New York Life introduced their popular “deferred bonus” policies into the British market, but most British offices had learned from the Standard’s example and refused to follow the trend. Instead, they increasingly turned to endowment insurance as a means of providing some of the benefits of tontines without endangering bonus levels over time.9

In their wider battle against the lower-priced firms, the bonus offices more than held their own. Although the Scottish Provident and Economic did very well in the race for business, a much larger number of offices offering comparably low premiums (including the Argus, East of Scotland, Active, Experience, and New Equitable) struggled to survive. The dramatic failure of one of these, the infamous Independent West Middlesex in 1841, provided bonus offices with all the arguments they needed to stress the danger of sailing too close to the wind in the matter of setting rates (Low 10–11). Other signs of the enduring
popularity of bonuses abounded throughout the Victorian period. In the many proprietary offices which, from the 1830s, offered customers a choice between paying higher with-profit rates and lower non-profit rates, the proportion who picked the second option seldom exceeded 30% and sometimes was as low as 10%. Also telling was the fact that when offices gave policyholders a choice between taking a reversionary bonus or the equivalent in reduced premiums or cash, most chose the first option. By the 1850s, the surviving low-cost firms were assured of a secure hold on a niche market, but they could not expand that market any further without resorting to expensive sales tactics that would have forced them to increase premiums.

II. Days of Reckoning

If the life offices’ various methods for distributing bonuses sometimes struck contemporaries as arcane, substantially more interest greeted the offices’ periodical announcements that sums ranging from 5% to 20% of the premiums paid or amount insured would be added to the value of each policy. The complicated nature of most division schemes indirectly added to the drama surrounding the declaration, since it meant that life offices could only afford to deploy the clerical manpower needed for such calculations every several years. Hence what might have been a frequent, and relatively small, addition to policy values, emerged as an anticipated event for customers, shareholders, and the interested public. With all eyes watching, the bonus declaration became the primary occasion for public evaluations of the performance of life offices. As such, it embodied two contrary impulses of Victorian market culture, one tending toward display and the other toward discipline. The first tendency exhibited “a rhetorical mode of amplification and excess” that framed much of Victorian life (Richards 54). The second attempted to moderate such representational excess by subjecting it to the discipline of transparent “facts” (see Poovey, Wiener).

The ability of life offices to declare substantial bonuses on a regular basis—not to mention meeting their more basic obligation of paying claims—depended on their ability to keep a step ahead of the changing Victorian capital market. Clive Trebilcock has tracked four phases of “enterprising” insurance investment during the nineteenth century. The first relates to the opportunistic war years of 1790 to 1815, when life offices lent money at high rates to an “embattled Govern-
ment.” The second runs from 1815 to 1835, when the favorite investments were loans secured by the estates and annuities of the “fading landlord interest,” who were willing to pay high rates to preserve their social status. The third covers the period 1835 to 1870, when “proliferating towns and cities” generated a demand for personal loans to middle-class professionals (many of whom were also policyholders) and for municipal bonds (1:742). And after 1870, life offices began to follow other British institutional investors into the market for “gilt-edged” foreign stocks (755). Although the performance of life offices tended to fall short of the average interest earned by capital in nineteenth-century Britain, it also steered relatively clear of the worst dips in the Victorian business cycle.

Bonus declarations dramatically altered the rhythm of the Victorian life office. A year before the declaration, companies formed special committees to calculate the amount of surplus that could be safely divided. Those directors with experience at property valuation worked with the actuary to determine the present value of the company’s assets. The actuary determined the proportion of actual to expected claims over the bonus period to make sure that premium income was still sufficient to meet the claims that had yet to fall in, and considered whether to value by a new mortality table, either because a more reliable table had appeared since the last valuation or because of the changing age structure of the office. These activities were laborious enough, but they paled before the task of dividing the bonus equally among the members. To do this, every policy had to be separately valued based on age, policy size, and accumulated interest. Determining these individual policy values required massive work even in medium-sized offices—“upwards of 75,000” calculations for the Clerical, Medical & General’s 1867 valuation (IR5: 3). Actuaries postponed their retirement, office cricket teams’ scoring averages dipped, and clerks—armed with little more than inkwells, logarithm tables, and slide rules—put in countless hours of overtime (Norwich Union Board Minute Book, 11 May 1886; Ibis 15 [1892]: 251). The Prudential, already huge in 1886, “had the whole of [its] staff on for double the usual office hours,” performing 32 million calculations on 7 million policies (Parliamentary Papers 1889 [10], q. 5195); the chair of the smaller Law Life office merely reported that his staff “became elastic on occasions of this kind” (IR 13 [1875]: 149). As a reward for this elasticity, clerks received between 10% and half of their annual salary for
valuation work, and actuaries often took home double their usual salary during bonus years.13

The Olympian drudgery that bonus valuations entailed prompted most offices to wait several years (typically five or seven) between each declaration. Although the initial impetus for such long intervals had more to do with manpower than with marketing, life offices were quick to capitalize on the sense of anticipation that came to surround their periodical divisions.14 Immediate bonus offices spread the word in the weeks leading up to the bonus meeting that new customers could add several pounds to the value of their policy if they signed up before the declaration. And at annual meetings preceding the bonus, actuaries and directors hinted that the “secrets of the prison-house” (IR 13 [1875]: 196) would likely prove “very satisfactory” at the upcoming division (39 [1901]: 575). Predictions tended to be coy in tone, to avoid raising expectations too high. The chair of the Scottish Equitable forswore any “attempt to lift the veil of the future and give any opinion” regarding the upcoming 1902 bonus (IR 40 [1902]: 324); it was, in the event, 10% lower than in 1897 (Chatham 1905). The importance of avoiding hubris was on display at the Briton Medical and General’s bonus meeting in 1874, when its consulting actuary Arthur Scratchley delivered the bad news that there would be no bonus that year (IR 13 [1875]: 107). Policyholders (and agents, who had spent the previous months dutifully raising their customers’ hopes) were outraged; not least because earlier that year the Post Magazine had reported Scratchley’s promise that the bonus “would be equal [to] if not in excess of that declared in 1867.” Scratchley denied the charge, offering “a reward of £20 to anyone who would bring him the shorthand writer’s notes containing those words in his speech,” but the damage had been done (110). By 1875 the Briton’s new business declined 37%, nearly landing it in Chancery (276).

At the bonus meeting itself, directors and actuaries expressed cautious self-congratulation (if the surplus equalled or exceeded the previous declaration), or tried to make the best of a bad situation (if it fell short of expectations). The most typical way to mix good news with caution was to combine a decent bonus with an assumed interest rate that erred very much on the safe side. In 1874, the Scottish actuary James Macfadyen argued for valuing at the then-low rate of 3%. Assuming more than that, he claimed, would force the company to state clearly how much of the resulting higher surplus it intended to withhold as a down
payment on acquiring new business. As he concluded, it would “generally be found impracticable to thus dangle a surplus before the eyes of policyholders [. . .] and then put it back into the till” (IR 12: 406). A second reason for assuming a low rate was that it would make it easier to continue paying the same level of bonus over time if yields subsequently fell. Policyholders, claimed Macfadyen, preferred “a somewhat less present and future increasing profit” over “a somewhat higher present and a diminishing future” (IR 12: 406). As of 1878, many, if not most, British life offices appeared to be following Macfadyen’s advice. Half of a sample of fifty offices valued at 3%, eight more assumed 3.5%, and the rest valued at 4% (Bailey, “Pure Premium” 123). By the end of the century, when the anticipated “diminishing future” came to pass, the proportion of life offices valuing at 3%, or even lower, steadily climbed. At the same time, lower assumed rates became easier to justify, since more aggressive marketing had produced in many offices a majority of recently insured lives. Such people were likelier to be sold on the idea of a “future increasing profit” than policyholders who might not live to see the next bonus (Ryan, “History” 612–13).

The problem of how to protect a life office’s assets in times of prosperity must have seemed enviable to managers who came to the bonus meeting empty-handed. In such a case there were two choices: declare a bonus anyway, and pretend all was well; or declare no bonus, and come up with good reasons for doing so. It is difficult to say how many life offices took the former path—especially before the Life Assurance Companies Act of 1870, when only the declaration, not the accounts, were made public. Only a few brave companies took the latter tactic. The Norwich Union did it twice, in 1836 and again in 1866, and the circumstances of its two non-declarations shed light on the changing status of the bonus within the life office. The first time, the office (under the direction of Samuel Bignold) found itself stuck in a commercial crisis with too much cash and too few prospective mortgagees. In presenting this diagnosis, Bignold revealed that the “magic” of compound interest depended on a sufficiency of willing debtors: “Do you gentlemen imagine that I can find alternative securities for reinvestment just as it pleases me from day to day? [. . .] I am no wizard or magician” (Blake 31). Neither this stern admission, nor Bignold’s rather weak appeal to the recent cholera epidemic, satisfied the members. Angry policyholders vented their spleen in pamphlets and in the Norwich papers for the following year, until order was finally
restored when Daniel O’Connell—who held over £10,000 in Norwich Union policies and had political ties with its Irish sales staff—brokered a peace accord. In exchange for its members’ continued business, the company agreed to open its board to six “outer circle” directors, and submitted to reforms suggested by outside consultants (Ryan, “History” 301, 312–34).

Thirty years later the Norwich Union executive committee again came to the bonus meeting with no value to add to members’ policies. The excuses they gave were similar to those in 1836: the need to write down securities owing to a recent financial panic in London, and higher than expected mortality from tuberculosis. This time, however, they could legitimately claim that the non-declaration, while a necessary caution, did not signify a deeper crisis. Their consulting actuary, Samuel Brown, promised that the company would be in “good financial position” if it waited five more years for a bonus, and suggested that his own office had likewise gone through a period of exceptionally costly claims (IR 5: 118–19). The Norwich Union’s executive did not escape without any rebuke, however; several of its outside directors succeeded in restructuring the board to create greater accountability. These reformers had been pushing for such changes for years, and the members’ heightened sense of disappointment in 1866 was just what they needed to accomplish their goals (Ryan, “History” 370–72).

The real advantage in the Norwich Union’s handling of its second non-declaration appeared in subsequent decades, when it successfully repackaged its apparent managerial lapse as the first stage of a long-term plan to put the company on firm actuarial foundations. In 1886, after declaring a good bonus despite moving to a lower assumed rate of interest, a director, Isaac Coaks, took time out to praise “[t]he Board of 1866” for having “the courage of its convictions to do what was right” (Norwich Union, Board Minute Book, 24 November 1886). Coaks’s tribute to the earlier board was ironic, since he had been one of the ring-leaders who had exploited members’ resentment against that board to reform the company. As vice president in 1887, Coaks brought in a new actuary, J. J. W. Deuchar, who took only fifteen years to lift the Norwich Union from the middle ranks of life offices to the second-largest in Britain. The 1901 president, Thomas Blofeld, celebrated its new stature at that year’s declaration, then led the gathered throng across the street where the mayor of Norwich laid the foundation stone for its new head office building. At the subsequent dinner, held for 120 local worthies and
staff members at the Maid’s Head Hotel, Deuchar “expressed his pride and satisfaction that they had that day completed the long struggle they had been making [. . .] to place the Norwich Union Life Office in the very front rank of life insurance institutions.” He finished by toasting the policyholders who “would experience great satisfaction in having received a really excellent bonus” (4 November 1901).

In The Commodity Culture of Victorian England (1990), Thomas Richards identifies six elements of “a semiotics of commodity spectacle,” among them “an autonomous iconography for the manufactured object; the use of commemoration to place objects in history; the invention of a democratic ideology for consumerism [. . .] and the invention of the myth of the abundant society” (58–59). All of these apply to the life insurance bonus, which in its own way was as much a “manufactured object” as any product of the industrial revolution. The bonus was autonomous in the sense that both its embodied clerical labor and its dependence on arbitrarily chosen actuarial parameters were withheld, for the most part, from recipients; all they saw was the addressographed slip of paper announcing itself as so much new wealth. The bonus’s commemorative side was clear at the Norwich Union, where fund management figured heavily in the repackaging of that company’s past; and its emerging reputation as a prudent investment option helped to clinch the industry’s “carefully cultivated image of [. . .] security” which, as Geoffrey Clark has indicated, “masks a past in which life insurance served as a vehicle for gaming” (“Embracing Fatality” 80). Life offices also applied a rich language of democratic ideology to their various methods of equitably dividing profits, allowing them to elevate the profane play of profit and loss into the more rarified sphere of political justice. Finally, by repeatedly associating bonus declarations with “larger income and bigger Funds” (Rock 50), the life office joined in what Richards has called “the vanguard of permanent prosperity” (66).

III. Accountability

If life insurance bonuses were commodities that were spectacularized every five to seven years, they simultaneously performed a regulatory role in the Victorian money market by transmitting information which, in theory, rendered companies more accountable to their customers. These two functions were not fully complementary, any
more than tabloid journalism is synonymous with government regulation. Still, in most cases some accountability was better than none at all, and the close attention paid to bonuses meant that these occasions (as with the Norwich Union) often sparked internal reforms. And significantly, when outside regulation did come to the industry with the Life Assurance Companies Act of 1870, its reporting provisions were closely modeled on the existing pattern of quinquennial valuations. The effect of the law was to strengthen policyholders’ ability to discern the financial status of a life office without substantially detracting from the recurring spectacle of the bonus declaration. Only in an indirect sense did the 1870 Act assist in the eventual decline of the bonus’s status as spectacle, by pushing companies in the direction of increasingly conservative investment practices.

As instruments of accountability, bonuses ranged from unwieldy to woefully ineffective. Their unwieldy side was apparent in the spectacular demise of the Albert Life Assurance Company, which went from declaring a large bonus in 1861 to declaring bankruptcy in 1869. Burdened by heavy expenses from a series of misguided acquisitions of smaller life offices, the Albert only avoided a non-declaration in 1864 by altering its interval between divisions from three to five years, then refused to offer any explanation for its lack of a bonus in 1866. The resulting anxiety, together with mounting rumors in the City, led shareholders and customers to demand an investigation into the company’s affairs (Times 21 August 1869: 6). Added pressure came from members of the recently acquired companies, for whom the Albert’s non-declaration came as a rude shock. Hence a Times correspondent, signing himself “Sixty-Six,” contrasted the fate of his policy after it was transferred to the Albert with his experience at his old office, where “[e]ach returning five years saw a distribution of bonuses among the insured, and all went merry as a marriage bell” (25 August 1869: 10). The Albert’s directors, in refusing to distribute sham profits to members of a concern which was fast approaching insolvency, had acted prudently. But their failure to communicate the severity of the situation in any other way, either before or after 1866, made a bad situation worse for shareholders and policyholders alike once the collapse finally came in 1869 (Walford 1: 46–49).

The spectacle of the Albert crash paled before the even more disastrous failure of the European Assurance Society, which continued to declare bonuses right up to its bitter end in 1872. Like the Albert, the
European’s problems started when it acquired the business of a series of failing concerns, culminating with the large British Nation office in 1865. That year, with barely enough funds to meet its claims, the European divided £70,000 among its policyholders and shareholders (Times 4 October 1869: 11); the British Nation, for its part, had paid a 30% bonus out of largely wishful assets as recently as 1863 (Walford 1: 387). Until 1872, when a winding-up order was finally issued, the European managed to avoid bankruptcy by taking advantage of Chancery’s stubborn refusal to comprehend the uniquely long-term nature of a life office’s liabilities. Just as policyholders had accepted their bonus in 1865 as a sign of continued strength, the Vice Chancellor ruled in 1869 that no insurance company could be deemed insolvent until the day it failed to pay its first claim (Walford 3: 48–54).

By the early 1870s it seemed clear, as Cornelius Walford urged in his Insurance Cyclopedia, that “bonus” was “a word bearing in the eyes of most policy-holders [. . .] the greatest signification of any word in the ins[urance] vocabulary” (1: 331). Exactly what any given bonus might signify, however, had been cast into serious doubt by the failures of the Albert and European. One of the central tasks of the Life Assurance Companies Act, which passed amid spiraling concerns about accountability, was to stabilize the meaning of the bonus by enabling actuaries to conduct informed public discussions of life offices’ component assets and liabilities. Although other sections of the Act addressed start-up companies, mergers, and winding-up procedures, its centerpiece was the requirement for life offices to submit to the Board of Trade annual balance sheets and revenue accounts, and to issue a full valuation of assets and liabilities every five years (Ryan, “History” 243–44). From the outset, the Act was the creation of actuaries, who praised its “general principles of requiring full information from the companies in a stated form, with full liberty as to the management of their own affairs” (Report q. 479). Its fifth and sixth schedules, recording companies’ future liabilities, were the work of two actuaries from the Commercial Union Insurance Company (Caverly and Bankes 224).

The 1870 Act was far from perfect (especially regarding asset reporting), but it did draw attention to the need to reserve a sufficient fund for long-term liabilities, and it forced companies to divulge how much money they were spending on new business (Sprague). Initially, conservative offices took advantage of the law to accuse competitors of squandering bonuses in the imprudent pursuit of customers. Arthur
Bailey, of the ancient London Assurance Corporation, issued a widely circulated pamphlet in 1874 revealing a clear link between low bonuses and high costs (as reported in the new Board of Trade returns), and a few “pushing” offices nearly went to the wall in the ensuing debate over bonus levels (Bailey, “Expenses”). Over time, however, well-managed growth-oriented offices like the Norwich Union could promise better bonus performance over the long run than would be possible with a more sluggish firm by appealing to the superior strength of their reserve fund. Again, such comparisons were only possible due to the industry-wide returns which the Assurance Companies Act had made available for the first time. Each of these developments added new shades of meaning for those policyholders who were inclined to ponder the deeper significance of the bonus when it was declared.

Actuaries encouraged such pondering, but only within carefully monitored limits. Although the intended beneficiaries of the 1870 Act were policyholders (and to a lesser extent shareholders), actuaries used the Act to bolster their own authority within the industry to determine proper valuation and bonus-division methods. Imposing such authority required the confidence of company directors, a reasonable level of consensus within the profession, and sufficient political clout to prevent the Board of Trade from countering their vision with its own conception of standards. Actuaries achieved the first of these conditions by wielding the social status that came with Royal Society membership and academic appointments (in England) and close ties with the financial clout of the accountancy profession (in Scotland) (Alborn, “Calculating Profession”; Walker). They achieved the latter two conditions through organizations like the Institute of Actuaries in London and the Faculty of Actuaries and Associated Scottish Life Offices in Edinburgh, which hammered out a consensus on many technical issues and (in the latter case) achieved notable success as a cartel. Actuaries forestalled legislative efforts in 1869 to allow customers to call for government audits of insurance companies, arguing that this “power of inflicting injury [. . .] would be a dangerous weapon in the hands of disaffected Policy-holders”;17 five years later they forced the Board of Trade to retreat from early attempts to offer public advice on valuation methods (Associated Scottish Life Offices, 29–33; IR 12 [1874]: 405–07).

The new regulatory regime after 1870 allowed actuaries to modify the meaning of the bonus without impeding its parallel development as a type of late-Victorian public spectacle. Actuaries were quick to
press the Assurance Companies Act into service as they retold their industry’s past history and mythologized its endless accumulation of wealth. They referred in 1910 to “the pre-historic days of the business, before the Act of 1870” (Andras 94) and identified 1870 as the year when “modern Life Assurance may be said to have commenced” (Ecroyd 40); the branch secretary William M’Ilvenna praised the “welcome publicity of the Blue-books” which had “witnessed enormous accretions of wealth” (M’Ilvenna 6). Although he churlishly added that some of those accretions “might justly enough have been distributed as bonuses,” most insurance managers took the lessons of the Albert and European more thoroughly to heart. In this regard the Provident’s 1875 annual report was more indicative of the newly cautious discourse that surrounded insurance bonuses under the glare of the 1870 Act: “the light now let in upon life insurance by the reports of the Board of Trade will, in due time […] [show] clearly to the public that their true interest lies in solid security rather than in showy income, in the substantial nature of their bonuses rather than in new-fangled schemes for their payment” (IR 13: 34). This preference for substance over show would ultimately contribute to the diminishing relevance of bonus declarations, if not the bonus itself, in the post-Victorian life insurance industry.

IV. The Waning of the Bonus

In 1906, five years after the Norwich Union’s proud moment, the Saturday Review published an article on “the decay of the bonus system” in Britain. Focusing on a new non-participating scheme advertised by the Law Union and Crown, the magazine reported that the life offices’ superior “power of accurate prevision” had allowed them to rescue their policyholders from “paying too much at first and having the surplus returned to them later on” (102: 41). The idea was that since bonuses had originated out of the need of ignorant actuaries to reserve an excessive surplus to pay for possible errors in judgment, an improved ability to foretell the future would make the surplus, and hence the bonus, unnecessary. But in attributing the apparent resurgence of non-participating policies to advances in actuarial science, the writer was only half right. Companies had possessed the ability to reduce premiums safely for decades, and most had long offered their policyholders this option as an alternative to receiving a bonus. Of greater significance was the declining relevance of the bonus as a
means of selling life insurance. The writer was hence closer to the mark when he suggested that there was something “quite attractive” about paying lower premiums for the same coverage, and at the same time being “free from possible disappointments caused by the decrease or absence of bonuses” (102: 41). The occasions for disappointment had increased since 1895, when little hope remained that yields would ever return to their pre-Victorian levels, and when increased competition from institutional investors made it harder for life offices to outpace even their most pessimistic forecasts. Of the forty biggest life offices at the turn of the century, twenty-two declared lower bonuses than they had twenty years earlier, and only eleven had managed to improve from the 1880s. Two offices—the Lancashire in 1899 and the Life Association of Scotland in 1901—failed to declare a bonus altogether (Chatham).

The Saturday Review was also only half right about the demise of the bonus. It was wrong insofar as with-profit insurance policies remained more popular than their lower-priced non-participating equivalents well into the twentieth century (Trebilcock 2: 544–45). But it was right to sense that the bonus was starting to lose its central role in the management and marketing of life insurance. Not only did companies have a motive to downplay the significance of the bonus under market conditions that could not be counted on to produce consistently satisfactory yields, many were starting to move in the direction of removing the traditional ritual of the quinquennial declaration from the public stage. The decision, in this case, was less a calculated effort at concealment than a mundane response to rising labor costs. As the volume of life business grew, the interruptions and expense caused by periodical bonus calculations led many of Britain’s largest insurers to examine alternative ways to divide their surplus. One option was to reduce the interval between bonuses to twelve months, and treat the valuation process “as little more than an incident in the actuarial routine” (Todhunter 1). New office technologies like adding machines and arithmometers, and organizational improvements like card systems, made such routinization possible to an extent that could only have been dreamt about a century earlier. The Prudential, which by the 1890s was spending as much time preparing for its quinquennial bonus as it spent on normal business, was the first to make the switch. Having done so, it soon discovered that dividing its surplus more regularly vastly improved both internal and state-mandated accounting practices—not a minor point in an era when many life offices were
merging with fire and accident companies, and when the Board of Trade was asking for more details in companies’ yearly balance sheets. As one manager argued in 1906, switching to a yearly bonus kept “management on the button of expenses, knowing full well what it will mean every year” (Report q. 824).

As more offices followed the Prudential down this path, the bonus lost its value as spectacle and became a matter of routine—for customers as much as for clerks. Yearly additions to policies were smaller in an absolute sense and less liable to fluctuation than bonuses that were divided every five or seven years. Both in perception and reality, they were closer to the regular additions which appeared in a bank depositor’s passbook. And if bonus declarations became less declarative after 1900, bonus recipients were less likely to react to the spectacle of their company’s investment performance with the same sense of novelty that had once been the case. Not only was that performance less spectacular during the long decline that had commenced in the 1870s, the novelty of investment was also beginning to wear off. As mentioned in the introduction, most twentieth-century policyholders bought endowment insurance, which supplemented the vicarious pleasure of the bonus declaration with the more immediate thrill of a growing pension account. And many policyholders after 1900 had at their disposal a wide range of other, even more immediate, ways to watch other people play with their money. As trust companies boomed and stock brokers spread from London to the provinces, Britain’s first fund managers gave way to full-time speculators, and retired to the more mundane task of preparing families for retirement and premature death.

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NOTES

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1This statement (and the focus of this article) mainly applies to customers of life offices, as distinct from insurance company shareholders (a relevant group in all but the dozen or so mutual offices in Victorian Britain). These shareholders experienced investment in ways that more closely resembled shareholders in other moderately regulated industries, including banks and railways (for which see Alborn, Conceiving Companies) —
although, as will be discussed in the text and in notes 14 and 16 below, they both influenced and were influenced by the development of profit-sharing among policyholders.

Nearly two million new endowment policies were sold in Britain between 1890 and 1913, in contrast to only 350,000 whole-life policies. By 1910 endowment assurance had surpassed whole-life policies in terms of volume of policies in existence, cutting the latter’s share of total policies in half from 80% in 1890 to 40% in 1910 (Supple 221).

Fire offices’ need to maintain liquidity (to cover catastrophic conflagrations) was the main reason why bonuses never became a popular option in that sector, following a trial period between 1820 and 1850 when many companies offered them (see Trebilcock 1: 616, 645–46).

The Norwich Union copied the Equitable’s restriction of the bonus to the oldest 5,000 policies, but since business did not reach that level until after 1820, this had no effect on its fortunes between 1816 and 1820. Partly for this reason, and partly due to mismanagement, its business receded after 1818 (Ryan, “History” 235).

As mutual offices were fond of pointing out, relatively little (if any) paid-up capital was necessary in a well-run life office, since annual liabilities were so easy to predict and since premiums would accumulate with interest for a generation before most claims started to fall due. Most offices established after 1825 had nominal capitals ranging from £500,000 to £1 million, but only called up a fraction of that (typically 10%).

Since the Northampton Table undercharged older entrants, the main beneficiaries of the newer offices’ lower prices were those who bought their insurance prior to age fifty. The London Life and Economic were among the top seven UK offices in premium income in the 1850s, a position which the London (but not the Economic) still held in the 1870s (Trebilcock 1: 745); and the Scottish Provident, with over £1 million in premium income, was the fourth-leading life office in that category in 1874 (IR 13 [1875]: 176–77).

For examples of “immediate bonus” offices see Albion and City of Glasgow prospectuses (both from 1849), pamphlet collection, Zurich Financial Services Group Archives. The same collection contains several examples of offices requiring a waiting period prior to bonus participation.

The Gresham and Standard were among the top four life offices in premium income in 1870; as was the Scottish Provident, also a tontine office, although its primary attraction was its low premiums (IR 13 [1875]: 176–77). Much of the Gresham’s business came from its branch offices in Germany, Austria, and France.

A second response to the American threat was the “compound bonus,” which calculated each reversionary bonus as a percentage of the sum insured plus all previously accumulated bonuses. These had existed since the 1820s, but increased in popularity after 1890.

The proportion of Alliance non-profit policyholders ranged between 17.2% and 31.7% between 1863 and 1903 (Alliance Assurance Co. Reports [. . .] re Actuarial Valuations, Guildhall Library Ms. 14,980); that in the Eagle declined steadily from 32.7% in 1857 to 14.6% in 1893 (Eagle Insurance, Board Minutes); and that in the Commercial Union was 21.5% in 1870 (Walford 2: 20). Proportions closer to 50% were recorded by the Pelican and the Palladium, which were among the last to start offering with-profit policies (Trebilcock 1: 589; Eagle Insurance, Board Minutes).
Only 10.5% of Economic customers took their 1854 bonus in the form of a reduced premium (Downes 10), and 36.2% of Gresham policyholders between 1848 and 1865 (Gresham Life Assurance Soc., Bonus List, Guildhall Library Ms. 17,926).

The lower middle-class market that the mid-century low-premium offices failed to reach was eventually exploited by industrial offices like the Prudential, which could add the task of selling ordinary insurance to their agents’ daily rounds without substantially increasing overhead. Significantly, premiums on these ordinary whole-life policies, payable in monthly installments for coverage ranging from £50 to £300, were usually “loaded” to allow for reversionary bonuses (Dennett 118–19, 126; Ryan, “History” 249).

See English & Scottish Law Life Office (Board Minutes vol. 8, 13 July 1866; vol. 9, 23 June 1871, 23 June 1876; vol. 10, 20 May 1881; vol. 11, 21 May 1888, 19 March 1891, 19 March 1896; vol. 13, 28 Feb. 1901), Star Life Assurance Society (Board Minutes vol. 7, 26 March 1874; vol. 17, 21 Feb. 1894), and Eagle Insurance Company (Board of Directors’ Minute Books vol. 11, 1 Oct. 1847; vol. 14, 8 Aug. 1862; vol. 16, 9 Aug. 1867; vol. 17, 9 Aug. 1872; vol. 18, 15 Aug. 1877; vol. 20, 28 March 1883; vol. 21, 14 March 1888; vol. 23, 5 April 1893; vol. 24, 13 April 1898; vol. 25, 1 April 1901), ESL 1/5/1, ST 1/5/1, EA 1/5/1, Zurich Financial Services Group Archives. See also the University Life Assurance Society (Board Minutes vol. 11, 2 June 1880; vol. 12, 10 June 1885; vol. 13, 11 June 1890; vol. 14, 5 June 1895; vol. 15, 23 May 1900), Church of England Fire and Life Assurance Society (Board Minutes vol. 1, 23 June 1848; vol. 3, 17 June 1853; vol. 4, 17 June 1858; vol. 5, 25 Oct. 1863; vol. 6, 13 June 1868), and Alliance Assurance Company (Board Minutes vol. 3, 27 March 1839; vol. 4, 8 May 1844, 11 April 1849; vol. 5, 31 May 1854; vol. 6, 30 March 1859; vol. 7, 20 April 1863; vol. 9, 10 March 1869; vol. 10, 25 Feb. 1874; vol. 11, 5 Feb. 1879; vol. 12, 13 Feb. 1884; vol. 14, 6 Feb. 1889), Guildhall Library Mss. 24,933; 12,160D; 12,162.

Since the bonus valuation also established the level of dividend for life office shareholders, the longer interval similarly enhanced the level of anticipation for that group—although these dividends were then typically paid out in equal annual installments leading up to the next declaration. Even in other types of companies, which paid fluctuating annual or semiannual dividends to their shareholders, the element of spectacle was seldom far from the surface: see, for example, George Elgar Hicks’s 1859 painting Dividend Day at the Bank of England (I am grateful to George Robb for this reference).

The other two are “the transformation of the commodity into language [and] the figuration of a consuming subject,” both of which also apply to the life insurance bonus, but would require more space to illustrate than is available here.

Bonus declarations and the 1870 Act similarly improved access to information for insurance company shareholders, although they were starting from a relatively privileged position (for example, power to elect auditors, to examine share lists, and to ask questions at annual meetings). The 1870 Act required life offices to provide their shareholders with more information than any other type of mid-Victorian company barring railways.

Association of Scottish Life Offices Minute Book, vol. 2, 31 May 1869 (excerpt from a petition “unanimously adopted” by a meeting of London actuaries 1 June 1869), Faculty of Actuaries Ms. 1/1/2/2 Edinburgh. Revealingly, one of the “dangerous” scenarios envisioned by the actuaries under the proposed law was that “a diminution in
the rate of bonus, disappointing sanguine Policy-holders, might lead many from various motives to concur in an application to the Board of Trade” for an audit.

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