



Twelfth Edition

Life

Insurance

Kenneth Black, Jr.
Harold D. Skipper, Jr.

TWELFTH EDITION

Life Insurance

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To
Kenneth Black, Sr.,
and the memory of Margaret Virginia Black

and
the memory of George W. Skipper, Jr.,
and Harold D. Skipper, Sr.

SOLOMON STEPHEN HUEBNER

Dr. Solomon Stephen Huebner was a distinguished professor of Insurance at the Wharton School, University of Pennsylvania, and chairman of the Department of Insurance at that institution. He not only introduced the first university-level insurance courses in the United States but also wrote the first university-level insurance textbooks. Dr. Huebner wrote the first edition of this text, published in 1915, and since that time, succeeding editions have been in continuous use both at the university level and in professional designation programs. Through his strong leadership, he came to be known as the father of insurance education in the United States.

While at the University of Pennsylvania, Dr. Huebner was the moving force behind the establishment of both the American College and the American Institute for Property and Liability Underwriters. He served as the first president of the American College, using criteria of knowledge, character, and ethical practice to transform the distribution system of the life insurance business in the United States from the commercialism of the early twentieth century to the service-oriented professionalism a half-century later. This earned him the accolade “the teacher who changed an industry.”

The authors are pleased to have been able to perpetuate this great educator's text. He built bridges of knowledge and understanding. The authors had the opportunity to cross one of his many bridges, moving from student to teacher, through the S. S. Huebner Foundation for Insurance Education at the University of Pennsylvania. We are grateful for the privilege that has been afforded us and hope that throughout this volume we have maintained the high standards of excellence and professionalism to which Dr. Huebner's entire career was committed.

Preface

This book is a revision of its predecessors, the first of which was published in 1915, and contains major revisions to the last edition. We continued our effort to alter the book's emphasis on purely factual information about the life insurance industry, its products, and its operations to one that combines current information with its environment, theory and use in the life and health insurance marketplace. We sought to establish the treatise in an appropriate historical, international, economic, demographic, social, and political context through a liberal discussion of these environmental factors where appropriate. We have approached life and health insurance simultaneously from the viewpoint of the buyer, the advisor, and the insurer.

The turmoil experience by the financial services industry within recent years has called for a fresh, more detailed examination of life and health insurance and their uses and evaluations. We have attempted to respond to these demands not only by completely updating and rewriting many chapters but also by giving more depth to the subjects to provide the basis for a deeper understanding by college and university students as well as by insurance and other financial professionals.

A financial management perspective has been adopted to explain how life and health insurance products fit into a broad framework of financial planning. In this context, these products have both unique advantages and some disadvantages. We have endeavored to present a forthright appraisal of them and to suggest how they may be evaluated from contractual, cost, and performance viewpoints. With an increasingly competitive marketplace, the student and advisor will need to be armed with an appreciation of the means of making fair product and insurer comparisons and the shortcomings of these comparisons. The principles upon which life and health insurance

are based are fundamental to understanding the industry, its products, and their use. For this reason, the volume contains an expanded treatment of life and health insurance fundamentals in Part I.

The discussion of life insurance planning has been substantially expanded to provide an environmental context and conceptual underpinning. The present process covers both inflation and a dynamic approach. Advancing computer technology makes this possible for students and practitioners alike.

As in the previous edition, entire chapters have been devoted to the tax treatment of life insurance, to estate and retirement planning, and to the business uses of life insurance. While these areas are subject to rapid obsolescence, we continue to believe that their inclusion is desirable for those students and practitioners who have had little exposure to the topics elsewhere and for those who need an easy summary of the materials.

Life insurance company management and the environment within which it operates are dealt with in the later chapters of the book. This edition introduces finance theory and concepts on which all financial service companies operate; this represents a major change in the text's approach to life insurer organization and financial management.

In sum, we have attempted to provide a comprehensive, unbiased treatise on individual and group life, health, and retirement products, their appropriate use and taxation, how to evaluate them and their supplier insurers, along with a thorough examination of life insurance company operations and regulation.

Whether this revision accomplishes the mission we sought to achieve can be judged only by its users. The authors invite critical comments in this regard.

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Of course, none of those who reviewed the manuscript bears any responsibility for the deficiencies that may remain in the completed work.

Kenneth Black, Jr.
Harold D. Skipper, Jr.

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