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INSURANCE CAN BE a perplexing subject for many Christians. Should Christians insure? Is purchasing an insurance policy an indication of a lack of trust in God? Questions like these frequently result in an incorrect attitude towards insurance. Many Christians refuse to buy insurance because they think that to do so would display a lack of faith in God. After all, He has promised to supply *all* our needs.

Some won't purchase life insurance of any kind. Others refuse to insure the automobile, their home, or its contents. One man I know not only refused to purchase insurance of any kind, he also declined to lock the door of his home and garage whenever he and his wife were absent. All this is done in the name of "faith," for one of the great promises of comfort to God's people is this: "And my God shall supply all your need according to His riches in glory by Christ Jesus" (Phil. 4:19).

Not only do we have this promise, but we also have the words of our Lord Jesus Christ Himself, who said: "Therefore do not worry about tomorrow, for tomorrow will worry about its own things. Sufficient for the day is its own trouble" (Mat. 6:34). We are not to worry, not to despair, about tomorrow. As creatures we are limited in all that we do and know. Although we *think* we know what will happen tomorrow, we cannot be absolutely certain about it. Just because we don't have fully accurate knowledge about tomorrow does not mean we should worry or become despondent and fearful about the future. God is our heavenly Father and He will not let His creatures go without food and

SHOULD CHRISTIANS BUY INSURANCE?

By Ian Hodge

drink. He feeds the flowers and the birds, neither of which find it necessary to put in 40-50 hours each week at the factory or office in order to obtain bodily sustenance. In the light of this, argues Jesus, God's people have no cause for concern.

The question is, however, does this mean we should not purchase insurance policies? Before I attempt to respond to this question it is necessary to

What is Faith?

THIS SECTION MAY APPEAR to be a digression from the topic of this chapter. But I hope you will persevere through this portion because it is the basis for my argument concerning insurance. By the end of the chapter, I hope you will understand the connection between faith and insurance.

The late Dr. Francis Schaeffer, in his many books and writings, drew attention to the development of a false notion of spirituality that has developed in the Christian Church over the past two or three centuries or more. False ideas about spirituality, originating in philosophies developed by men who were hostile to Christianity, have resulted in a false view of faith and its true biblical perspective. This false notion of spirituality creates a world divided into two realms, the spiritual and the physical domains.

Under this scheme, to become a Christian is to escape, as far as possible, from the physical arena into the spiritual realm. It is a dualistic notion about reality.¹ Its origin, however, is in ancient Greek thought, and its revival in

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spend time considering what faith is. I want to show that the view that says we should not purchase insurance represents an incorrect view about the nature of biblical faith.

1. As Schaeffer rightly observes, true spirituality is not other worldly, but *inward*. It is the inward living of the absolute Law of God that manifests itself in the outward world as conformity to the Law of God. True spirituality is thus obedience to the whole of the Word of God. See Francis Schaeffer, *True Spirituality* (London: Hodder & Stoughton, 1972).

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Ferny Hills QLD 4055

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the church is a revival of Greek thought insofar as Christians adopt it. This has been called neoplatonism.²

In its extreme outworking, this view results in attempts to escape from the real world of physical reality in various forms. The false duality manifests itself in the attitude many have towards prayer as a spiritual exercise. The life of prayer can become a higher way of Christian living than working at the office or on the job. It also shows itself in the attitude many have towards what is euphemistically called "the full-time ministry," in that being a pastor, a missionary, or some kind of "full-time worker" for the Lord is a "more spiritual" calling than being a builder, a plumber, a handy-man, an office manager, a secretary, or a housewife. It is almost universally thought to be a far superior vocation to building a multi-million dollar business empire.

In the past this dual conception of spirituality has led to comical situations where men and women have indulged in various forms of self-flagellation in order to live the "higher" life of asceticism. For example, for washing his hands and feet after a tiring journey in the heat, Jovinus was rebuked by Melania with these words:

Melania approached him like a wise mother approaching her own son, and she scoffed at his weakness, saying: "How can a warm-blooded young man like you dare to pamper your flesh in that way? Do you not

know that this is the source of much harm? Look, I am sixty years old and neither my feet nor my face nor any of my members, except for the tips of my fingers, has touched water, although I am afflicted with many ailments and my doctors urge me. I have not yet made concessions to my bodily desires, nor have I used a couch for resting, nor have I ever made a journey on a litter."³

Asceticism of this kind, together with its relative, Stoicism, has its roots in Greek philosophy. Hence, the return of these forms of false spirituality constitutes a rise of neoplatonism in Christian thought. These ideas incorrectly assume that sin is metaphysical; that is, that sin is not something people *do* but what they *are*. They presume that sin is the substance of which the world is made, rather than what the Bible says, that sin is *disobedience* to the law of God (I John 3:4).

It is somewhat obvious that there are two realms: the realm of created matter and the realm of the uncreated. If we think that which exists in the created realm can move into the uncreated, then we assume that what is created can take on the attributes of divinity. This, the Bible is adamant, is impossible. Man cannot move into the uncreated spiritual realm unless he loses his finiteness. To do this he would have to assume an attribute of God. Some people believe that in order to be spiritual we must move ourselves out of the created realm into the uncreated one, the spiritual realm. Since the Bible does not ask us to do the impossible, we should look for another explanation on what the Bible means by the idea of spirituality.

It is thus a more accurate reading of Scripture not to view spirituality in the sense of two realms, one of which we are to escape in favour of the other, but in the sense of two *origins*. God is Spirit, and He created the physical world for man to live in, to work in, to develop for His glory and for His purposes. Thus, when Jesus said, "My kingdom is not of this world" (John 18:36), He was not suggesting that there were two realms, His spiritual kingdom which He

ruled over and the physical kingdom of this world over which He did not rule. Rather, he was suggesting that His kingdom does not *originate* in this world, but originates outside the physical universe. This is exactly what Genesis 1:1 teaches, that in the *beginning* God created all things out of nothing.

Creation does tell us of two realms: the uncreated spiritual realm of the eternal God, where He has reigned and ruled for all eternity, and the kingdom or universe that God has created. These, however, are contrasted against each other not in terms of substance, but in terms of origin: one finite, the other infinite; one temporal, the other eternal; one created, the other uncreated.

There is another passage of Scripture that supports this idea. In I Corinthians 15:47 we are told "The first man was of the earth, made of dust; the second Man is the Lord from heaven." Here we have the two *origins* of the world contrasted: one is of the earth, the other from heaven.

The great themes of Scripture are the fact of God's creation out of nothing, the creation of man in His image, man's *ethical* revolt against his Creator, and God's plan to save man from damnation for participating in this revolution. Nowhere is it indicated or implied in Scripture that this physical world is the problem and that we are to escape from it to another, more spiritual realm. Rather, the problem is ethical and moral, the failure of man to obey his Creator. The dilemma is that man makes his own rules, precepts that originate from the created realm, rather than following the laws that originate from the uncreated Kingdom of God.

This being the case, we can more easily understand certain passages of Scripture. For example, Jesus taught us to pray "Thy kingdom come" (Mat. 6:10) in the Lord's prayer, a specific petition that God might manifest His kingdom on earth, as it is in heaven, by men obeying God's will. We establish God's kingdom on earth, as it is in

- Rousas John Rushdoony, *Foundations of Social Order: Studies in the Creeds and the Councils* (Phillipsburg, PA: Presbyterian & Reformed Publishing Co., 1968), p. 148f.
- Robert T. Meyer, trans., *Palladius: The Lausiatic History* (Westminster, MD.: The Newman Press, 1965), p. 136, quoted in Rousas John Rushdoony, *The Flight From Humanity* (Nutley, NJ.: The Craig Press, 1973), p. 2.

heaven, insofar as we are obedient to Him in all that we do and say.

The "kingdom now" phrases of the gospels easily fall into place when we remember that God's kingdom is *over* the whole universe. He rules, the psalmist declares frequently, over all His creation (see, for example, Psalm 33). Indeed, God's kingdom is not *of* this world, for if it was of this world it would originate in created matter and be a world full of limitations. God's kingdom, while *including* this present world does not originate in the created order, but originates in uncreated eternity. It truly is a spiritual kingdom.

Seen in this light, faith is not the escape route to another world, but man's act of obedience to God. Faith is simply believing God, taking Him at His word. But to exercise true faith we need to know God's word as He has revealed it to us in the Scriptures. This often involves many years of study and thinking, a difficult but not impossible task. After all, wisdom is available to *all* God's people for the asking. "If any of you lacks wisdom, let him ask of God, who gives to all liberally and without reproach, and it will be given to him" (James 1:5).

Practical Faith

Even in saying this much, there is still room to clarify and refine even further our understanding of faith. Imagine a farmer who, instead of ploughing the field, planting the seed, nurturing it with water and helping it grow strong by removing the weeds, adopts an attitude that he will simply sit on the verandah reading the Bible with prayer and meditation, letting the soil look after itself or the seed plant and nurture itself and battle alone against the weeds and the elements. This, he assumes, is the life of faith, of letting God do what He has apparently promised. Would this man have exercised true faith?

The answer, naturally, is that this is faith only if God has explicitly told us that this is what He wants us to do. It is only true faith insofar as we can support the concept of abandoning physical labour in order to read the Bible. It is clear from Scripture, however, that man is to work. "If anyone will not work, neither shall he eat" (2 Thess.

3:10). In the account of the Fall we also find that mankind is to work harder now as a result of sin, and the soil will no longer give up its produce without sweat and labour.

As we read the Bible we see, for example, that David did not sit on his backside waiting for God to defeat the Philistines. He stepped forward in faith, confident that God would give him victory over the enemies of God. As he took that step of faith, he selected five smooth stones — not rough ones — as he went into battle against Goliath. He also rejected the traditional warrior's weapons because he had not tested them. David used the intelligence God had given him to make certain deci-

“. . . faith is not the escape route to another world, but man's act of obedience to God. . . .”

sions, *rational* decisions. He established a goal: defeat the giant. David decided which strategy would suit the occasion, put his plan into action and depended upon God for the outcome.

Similarly, the apostle Paul did not sit in prayer waiting upon God to mysteriously convert the gentiles. He went from place to place, preaching and teaching. He knew that if he did not go, people would not hear and the spread of the gospel would be hindered. So, he not only prayed but stepped forth in total dependence upon God. This is biblical faith in action.

Faith, then, is not the escape route from this world and the responsibilities that time and circumstance (Providence) place upon us. Rather, *faith is the steadfast trust, obedience to, and reliance upon every word that God has spoken to us.*

Now that we know what faith is, we are in a better position to answer the question as to whether Christians should purchase insurance.

What is Insurance?

THE SUPERFICIAL ANSWER to this question is that insurance is a policy of some kind which

people buy. It might be to insure life or property. Yet this is an inadequate understanding of insurance. There is a much better definition.

Insurance is a method whereby a group of people join together to share the risks that are involved in a particular activity. It is the concept of *risk* that is crucial to an understanding of the true nature of insurance. Insurance had its origins several centuries ago when business men got together to share the risks of potential loss from shipping goods abroad. They mutually shared the losses of any ship that failed to reach its destination, with a promise of sharing the profits if the voyage was successful.

If we can accept the nature of risk as being the necessary ingredient to understanding insurance, then we make a rather remarkable discovery: *risk is inescapable.* It is absolutely impossible to avoid this concept or its consequences. Although God has promised to take care of all our needs, He has not promised a trouble-free life. We still make bad decisions due to a lack of knowledge or due to poor judgement. There are criminals in existence who also add an element of risk to our lives. Nor are we exempt from illnesses and diseases. Many of these things may be reduced and minimized by Christian faith, but they're not eliminated until the Lord Jesus returns in glory and splendour sometime in the future. Meanwhile, the only choice available to us is *how* we manage risk and *where* we locate its consequences.

Consider life insurance, for example, for a married man with children. If he should die, who will bear the financial consequences of his death? Without an insurance policy it is clear that his wife and children will bear the risk. Perhaps other members of his family will also bear the cost of his early departure from this life. If he's a member of a church, other members may also need to bear the costs of physical support for his wife and children.

An insurance company is simply an organisation where people have *voluntarily* agreed that they will *mutually* share the consequences of a certain event. This might be theft or accident in the case of automobile insurance, or death in the example of life insurance.

Using statistical information (including mortality tables, length of time people pay premiums, the number of people making claims, and the number of people paying premiums), a life insurance premium is calculated based on the age of the client and number of years he is expected to live. An additional consideration is the amount of funds coming in compared with the amount of money being paid out. It is based on the formula of a large number of people paying contributions, but only a small percentage at any one time collecting benefits.

Seen in this light, we must therefore first address the question of where we wish to locate the risk. Once we've answered that, we can then decide if we want to buy insurance.

Very few people, in fact probably only the very wealthy, can afford to bear the financial risks of life totally by themselves. Whether it is life insurance, car insurance, or home and contents insurance, only the very rich can afford to bear totally the consequences of loss. For the remainder of the population the consequences will be born not by family but by non-family members, either through the church's diaconate fund, through government social welfare schemes, or by private charity.

Health insurance is a good example of this, although not so obvious while the federal government continues to provide compulsory insurance through Medicare. There are not too many people who can afford the high costs associated with modern medicine. To overcome these costs, the principle of shared risk is put into practice through health insurance companies. Curiously, many who won't buy life insurance are more than happy to buy medical insurance. I don't think there are Christians who are so against the idea of insurance that they refuse to participate in the Medicare program in Australia, in spite of its compulsory status.

The free association of people through a mutual society for purposes of insurance is the means for *voluntary* acceptance of the financial consequences of loss for other people. The association is one where all paying members have freely agreed to bear the

financial burden for all other members on condition that all must contribute the annual premium.

Medicine as Insurance

We can sharpen our understanding of the insurance issue if we see that medicines of various kinds are a form of insurance. Those who refuse to purchase insurance of various kinds don't seem to have difficulty in ensuring the medicine cabinet contains aspirin, bandages and antiseptics. They also ensure they and their children are inoculated against certain diseases.

Some people argue that insurance is an attempt to relieve the circumstances of life that God has for us as

“ . . . only the very wealthy can afford to bear the financial risks of life . . . ”

individuals. They mistakenly believe that we are not to respond *rationally* to the circumstances God has ordained for us. If, for example, God chooses to chastise us through the loss of a husband or wife, they believe that we should not ameliorate the circumstances by purchasing insurance. Some people go even further and will not take medicines of any kind. The number of people who go to this extreme, however, are few.

The government-supplied old-age pension is yet another example of overcoming the circumstances of life by rational action. How many people, though, are willing to refuse to take it on the grounds that they'd rather live “by faith?”

The understanding of the purpose of insurance as an aid to help through certain circumstances in life is a correct one. Insurance is an attempt to ameliorate the human condition — just as medicines of various kinds are also designed to alleviate the providential occurrences of illness. So, too, is the diaconate fund of the church, or the social welfare programs of the federal and state governments, a means whereby the circumstances of life can

be alleviated by providing material help to those who need it.

Insurance, as a means of alleviating the circumstances of life, is inescapable. The only question available to us is *where* we wish to locate the risk and *how* we wish to ameliorate the problems of life. If a man refuses to buy life insurance on himself, he has nominated his wife, children, family, church members, or tax payers to bail out the family should he die early (assuming he's not rich enough to bear the cost from his estate).

Should a man refuse to buy life insurance, it seems fair that he should do so only after consulting his wife and children and perhaps other family members, to make sure they are able and willing to bear the cost. If he's a member of a church he should discuss this matter with the deacons and elders to make sure the church is willing to bear the financial burden. If he expects his wife to live off government welfare, he should ideally consult with all other taxpayers (i.e. his neighbours) to ascertain if they are willing to bear the risk. If anyone refuses to contribute to his welfare at this point, the man has a moral problem to overcome: should he force others to bear the risk when they do not wish to take on the burden and who, perhaps, cannot afford the liability.

Only an insurance policy that people can purchase *voluntarily* overcomes the coercive alternative to sharing the risk by free choice. Through the insurance company all those who voluntarily pay the premiums are declaring: “Yes, I'm willing to finance the burden of your loss.” The alternative to voluntary sharing is coerced sharing, and coerced sharing of wealth in the Bible is called theft.

This seems to leave the Christian who wishes to obey God very little choice on the matter of purchasing insurance. The purchase of insurance, especially life insurance, is only an option for those who have sufficient wealth to bear the cost themselves. For most of us, insurance is a necessity and a very practical means of displaying our faith in action. It demonstrates that we take

Tomorrow, When the War Began

A Book Review by Lance Box

There are a number of Christian schools that have difficulty with the text *Lord of the Flies*, by William Golding. The text is either not on the campus, or staff and parents would like the text removed from the school. This is unfortunate, as the text, when used with careful guidance, is a useful means of illustrating the doctrine of original sin. The strength of the text lies in the fact that it shows sin to be exceedingly sinful, and does not entice the reader into its clutches.

Several of these Christian schools that have rejected *Lord of the Flies* have a far more insidious book on their library shelves, freely available to students. *Tomorrow, When the War Began*, by John Marsden (Sydney, NSW: Pan Australia, 1993) is an adventure embarked upon by a group of eight teenagers recounted by one of them, Ellie. The teenagers go on a bush walk to explore a locally famous ravine called Hell. Whilst in Hell, Australia is invaded, and their local community is occupied by foreign-speaking people from a northern country. Over a relatively short time, the young people engage the invaders. They also come to grips with the story of a Hermit that withdrew into Hell after shooting his wife and child. Before the adventure is resolved the narration breaks off.

Marsden writes well, using contemporary Australian teenage idiom. The action is fast, story line is tight, and the easy style is gripping and seductively appealing. This is one of the reasons why the book is so dangerous. The author introduces the story with the teenagers manipulating their parents into allowing them to go. He is convincing that teenagers know best, and their parents are ignorant. Do we want our students in Christian schools having this kind of behaviour modelled? God clearly commands, "Children, obey your parents." The prophet Isaiah, writing about a nation under judgement, said,

And I will make mere lads their princes
And capricious children rule over them,
And the people will be oppressed,
Each one by another, and each one by
his neighbour;
The youth will storm against the elder,

And the inferior against the
honourable. (Isa. 3:4-5)

Sexual innuendo is titillatingly dealt with in the book. An example would be when the teenagers are descending Satan's steps into Hell.

Our only hope was an old fallen log that disappeared into the shadows and undergrowth but at least seemed to be going in the right direction.

'That's our path,' I said.

'Hmmm.' Homer said, coming up beside us.

I straddled the log and started a slow slide down it.

'She love it, doesn't she?' Kevin said. I grinned as I heard the slap of Corrie's hand hitting some part of Kevin's exposed flesh.

There are several scenes where sexual contact between the teenagers is described and the description is done in such a way as to invite the reader to vicariously indulge in the pleasant feelings. Just one of several examples:

I was clinging to him and pressing against him as though I wanted to get my whole body inside him, and I like the way I could make him groan and gasp and sweat. I like giving him pleasure, although it was hard to tell what was pleasure and what was pain. I was teasing him, touching him and saying 'Does that hurt? Does that? Does that?' and he was panting, saying, 'Oh God . . . no, yes, no'. It made me feel powerful.

The Scriptures indicate that exciting the desires in another that cannot be legally fulfilled, is the sin of concupiscence (Rom. 7:8; Col. 3:5; I Thess. 4:5). Teenage readers have difficulty in dealing with the arousal of sexual feelings. Marsden paints his pictures in a way that indicates that the premarital satisfaction of these desires is OK.

The notion of *a priori* values is questioned by Marsden in his text. Ellie describes a dragonfly eating a mosquito, ignoring the mosquito's death struggle. She comments:

I sat back again, against the hot rock. So, that was Nature's way. The mosquito felt pain and panic but the dragonfly knew nothing of cruelty. He didn't have the imagination to put himself in the mosquito's place. He just enjoyed his meal. Humans would call it evil, the big dragonfly destroying the mosquito and

ignoring the little insect's suffering. Yet humans hated mosquitos too, calling them vicious and bloodthirsty. All these words, word like 'evil' and 'vicious'. they meant nothing to Nature. Yes, evil was a human invention.

The hermit of Hell had built himself a home, and the teenagers discovered some personal papers that threw some light on the events relating to the killing of his wife and child. The evidence was not conclusive, but it would seem that the hermit and his family were caught in a fire. He claimed he shot his wife and child to relieve them of suffering because they were severely burnt. The scenario is emotionally charged, and a teenage reader would find it difficult not to side with the act of 'mercy killing'. Unguided, such thinking will lead to the acceptance of universal euthanasia. Where is the notion of human dignity, and God's command, "Thou shalt do no murder"?

For some, the justification for having the book on the shelves is two-fold. First, the teenagers love reading the book (and it isn't difficult to understand why immature teenagers would gravitate to it), and second, it contains references to the Bible and has a Christian as an important character. The treatment of the Bible is almost occultist. Ellie claims she has a 'psychic finger' and obtains 'guidance' by randomly placing her finger in the Bible. Robyn, the so-called Christian, is not very prominent in the story, nor is her faith seen to be particularly relevant; it is pietistic and obscure.

As a senior English teacher, I have recommended that our library not have the book on its shelves. For fear of leading some of my students into realms that I may not be able to bring them out again from, I will not be using the text in my teaching. Technically, the book is well-written, but in terms of the lessons to be learned from the text, it is a dangerous book.

[Lance Box lives in Toowoomba and teaches in a local Christian school.]

Insurance (continued) . . .

our responsibilities seriously, that we do not wish to be a burden on others.

What Kind of Insurance Should I Buy?

I HAVE ATTEMPTED thus far to establish the fact that buying an insurance policy is not contrary to true biblical faith but is, instead, a very practical means of expressing Christian faith. Since this is a book on practical wealth management, we need to establish some general considerations about the purchase of insurance.

There are several kinds of insurance to purchase. Most are based on the premise that if you contribute annual premiums to the pool of money, you will be paid an agreed sum should certain circumstances occur. This is the basis for all general insurance and for what is called term life cover. I'll have more to say about life insurance shortly.

General Insurance

The main requirement here is a practical one. A good insurance broker is almost essential. Insurance contracts can be lengthy and the fine print tedious. Unless careful, it's possible to end up with a policy that does not provide the protection that is really needed. In addition, some people like to spend a few hours each year ringing around the companies to get a cheaper premium. But if you spend four hours and only save \$20 in the process, your hourly rate is \$5. You need to have some idea of the value of your own time and labour. If you can work and earn \$10 an hour, then to spend four hours to save \$20 is an unproductive use of your time. A competent insurance broker, however, should have this information at his fingertips, since he claims to be a specialist in the area.

Unfortunately, insurance brokers who are paid commissions by the insurance companies can be tempted by the size of the commission they receive rather than providing that policy which is best. Buyers should insist that your insurance broker provides them with competitive quotes. Commissions to brokers can be paid not only as a per-

centage of the premium, the usual method, but can also constitute bonus payments for volume business. Thus, the broker can have a real financial interest in a particular product. Generally, the commission paid to the sales people is reflected in the charges that are part of any insurance contract. Ultimately, these charges reflect in the annual premium. Competitive quotes will often help detect if an insurance sales person is providing the product that not only provides the protection needed but at a fair market price. Again, follow the biblical advice and get multiple counsellors. Obtain guidance from more than one broker, unless you

"It is an unfortunate fact that many men do not like to buy insurance on their own lives. . . ."

know one who is absolutely reliable and trustworthy.

Life Insurance

The past two decades have seen a major revolution in the life insurance industry. To understand that revolution we need to know the components of an insurance policy.

At one time insurance companies sold whole of life contracts that were made up of two parts. One part was the insurance side of the contract. When you purchased the contract, you were immediately insured for a face value of say \$25,000. After a few years, however, the amount to be paid out on death would begin to grow above the \$25,000 initial value. This is because there was an investment component in the contract. Over the years, part of the accumulated premiums were invested on your behalf, so that the amount the insured's estate received would grow over time. The thing to remember here is the two components of the contract: insurance and investment.

A variation on the whole of life policy is the endowment policy, where the insured sum is paid out at an agreed date, usually a birthday of the person insured. Whereas in whole of life contracts the beneficiary receives the sum insured, in an endowment policy the

insured person could actually receive a lump sum of money at the agreed time. Of course, if he died earlier than expected, the beneficiary receives the value of the policy.

There is, however, a third and most critical ingredient: the size of the commission paid to the salesman. It is not uncommon for up to two year's premiums to be paid to the salesperson as a commission. This means that your investment fund will not get off the ground until all the establishment charges (which include the commission) are paid out of your contributions.

In the 1970s, however, people began to wake up to the fact that if the insurance and investment components were separated into individual contracts it was possible to get better returns for the amount of money paid out. Enter the term life contract, which works the same as any general insurance policy. You pay a premium to provide a fixed amount of payment on death. There is no investment component in this contract.

Unlike the whole of life policy which has a fixed premium, term cover has premiums based on age and the amount of insurance purchased. Term life premiums are expressed as an amount per thousand dollars sum insured and this value varies with the age of the person insured. For example, if the premium is \$1.50 per thousand for a 35-year-old male, then it will cost approximately \$150 to purchase \$100,000 of cover. At age 45, however, the same person might pay \$2.80 per thousand, or \$280 for the same amount of protection.

Generally, term life cover is better than a whole of life policy (although there can be a case for whole of life contracts that I describe below). The primary reason is that by separating the components of insurance and investment, it is possible to use premiums advantageously by purchasing the cheapest life cover while maximising returns on investment.

Here's a real life example to illustrate the advantages of the two types of life policy. Ralph (not his real name) was a 25-year old who had purchased a \$25,000 whole of life policy. Eventually,

his initial sum would increase due to the investment component. I recommended that Ralph cancel his whole of life policy and purchase term cover, and invest the balance of his premiums in something like insurance bonds.

Before we could undertake a proper evaluation, however, it was necessary to find out what his whole of life policy would be worth if it was converted to an endowment policy so that at age 65 he received a lump sum payout. According to his insurance company, based on conservative investment rates at the time, Ralph could expect to collect around \$175,000. To get this, he would have to pay annual premiums of \$470 for the next 40 years, or a total of \$18,800.

As already mentioned, I suggested he purchase a term life contract as an alternative to his whole of life contract. The minimum premium at the time was \$135 p.a. and would provide immediate cover of about \$83,000. The difference in premiums between his whole of life contract and the term life policy, amounting to \$340 p.a., could be invested for the next 10 years, then the balance left to accumulate to age 65. At the same rates used by the company that issued the whole of life contract, this would have resulted in Ralph accumulating over \$400,000 by the time he was 65.

My proposal was that he pay the term life cover for ten years then reassess his need for insurance. As for the investment policy, at the end of ten years Ralph would cease to put any more funds into this account. In other words, for the next ten years, he would spend around \$5,000 to get an immediate cover over three times higher than his present policy. At retirement his investments would be worth more than double the amount he was offered under his initial endowment policy. In real life he would want to continue the insurance longer than ten years until his assets had built up to a point where he could perhaps drop the insurance cover. That decision, obviously, should not be made until the ten years have expired and his prevailing circumstances re-evaluated to determine the best course of action. Also, it is probably true that at the end of ten years, he would continue to put money into his savings fund. But it was clearly evi-

dent that he would be *substantially* better off by cancelling his whole of life contract and buying the term life policy and commencing a regular savings program.

It is true that Ralph's term life premiums would increase to maintain the same cover as he gets older, especially after age 45. But it is also true that his whole life contract would need to be increased over time in order to provide him with adequate cover. The idea behind this strategy was to build sufficient assets so that the need for term life cover, if not totally eliminated, would be reduced.

It needs to be stressed that not everyone can obtain the same result by transferring from one kind of policy to another. Ralph had age on his side. A 45-year-old pays higher term rates and therefore would not have the same amount to invest after paying the insurance premiums. Also, being closer to retirement, he has less years to increase his retirement funds through compound interest. There are many factors that need to be considered in *any* insurance and investment decisions before committing to a particular course of action.

Wealth Transfer

The example above illustrates the value that can be obtained when the insurance and investment components of an insurance contract are separated. However, just because it is possible to obtain these financial advantages this does not imply that there is no place for a whole-of-life contract.

There is another purpose for which insurance can be used. If someone wanted to make certain that his children or grandchildren received a financial benefit when he died, a whole of life insurance policy with the children or grandchildren as beneficiaries is one way to do it. Since many term life contracts expire when a certain age is reached, say 70 years of age, a whole-of-life contract may be the better choice.

The secret here is to know what it is that you want to achieve. A term life contract insures your life against immediate death, and it does so at far better rates than a whole of life policy. On the other hand, the whole-of-life contract,

since it never expires because of the insured's age, is the vehicle whereby a sum of money can be left to a wife, children, grandchildren, or a favourite charity.

If a person has not saved an inheritance for his children, he can ensure they get something through a whole-of-life contract. It cannot be cancelled, even for non-payment of premiums. It may be worth very little, say, if premiums are paid out of accumulated funds. But while the premiums are current or there is a sufficient amount in the fund for it to be self-funding (i.e. the premiums come out of accumulated savings in the policy), the beneficiary will certainly be paid upon the death of the insured. Recognising that there is a place for whole of life contracts, it warrants re-stating that usually term cover will be a better alternative for many people, with added investments to accumulate capital.

Who Should Buy?

EVERY FAMILY NEEDS the protection of some kind of general insurance. House and contents insurance, car insurance and health insurance are just three examples.

When it comes to life cover, however, every breadwinner in the family should be insured as a matter of course. The financial difficulties faced by a family that loses the breadwinner can be dramatic, and it does not cost a fortune to ensure loved ones are protected.

It is an unfortunate fact that many men do not like to buy insurance on their own lives. Too many people postpone the purchase because they do not think their life may end at any moment (just as many people fail to make a will before they die). Death is something many like to ignore. Therefore, as a matter of practical advice, every wife should buy a term life contract on her husband. Since a wife is the one to bear the burden should her husband die prematurely, she has every reason to make sure that her own future, and that of the children, is made financially secure.

Life can also be difficult, however, for the breadwinner if he loses his spouse. There are quite substantial expenses incurred by a family if the wife and mother should die. Therefore,

some cover on a wife is appropriate. The amount does not need to be as much as for the breadwinner, but insurance on a spouse is not something to be ignored.

How Much Insurance?

THE ANSWER to this question is relatively simple to explain in general terms, but not so easy to calculate in practical terms. As a general rule, you want the insurance contract to cover you for every part of the risk that you are unable or unwilling to finance yourself. Therefore, with car insurance you cover yourself for the total cost of a replacement vehicle. The same with home and contents insurance.

The same is true for life insurance. Since the idea is protection of the family, then you need to calculate what you're trying to cover. In most instances life cover is to protect a man's wife and family and continue his income (or at least enough to provide for the remaining members of the family). Since raising a young family single handedly while holding down a job is very difficult, the plan should be to insure for enough funds for the wife to invest so that she does not have to work. How much should that be?

To make this calculation, you need three pieces of information. *First*, you need to work out how much income is needed each year. *Second*, you need to have a very good idea what *average* yield can be expected from invested funds. *Third*, you need to know the anticipated inflation rate over the next few years. While it is not possible to be totally accurate on the second and third items, you *must* use them intelligently to make the calculation.

Let's take an example and assume that we can earn, on average, a nine

percent per annum yield on invested funds, and inflation is expected to run at five percent. This amounts to four percent net yield, per annum. Let's say you're trying to produce an income, including all expenses and taxes, amounting to \$30,000 this year. How much money do you need? You need enough money so that when it's invested at the 4% net yield figure, return equals the amount of income you need. In this instance, you will need \$750,000 ($\$30,000 \times 100/4$) of insurance cover.

Staggering, isn't it? Frightening, too, since \$30,000 would be a modest income in today's economic climate. If you were to purchase less than \$750,000 of life cover today, you would be under-insured. That means many people reading this book don't have adequate insurance for their family to maintain their present lifestyle. People don't usually buy half a million dollar insurance contracts. At \$1.50 per thousand, that's \$1,125.00 per annum, and for someone older, say 45-years of age, at \$3.00 per thousand, it amounts to an annual premium of approximately \$2,250. Smokers could pay even more.

Furthermore, since protection against inflation is essential, ensure the policy is indexed each year by the inflation rate, otherwise you'll find that you're increasingly lagging behind in adequate cover. The \$750,000 cover must increase to \$787,500, and so too the premium will increase accordingly.

You can use the same formula to calculate how much to insure a wife. If you only wanted \$20,000 per annum to cover incidental expenses of a housekeeper should the loss of a wife and mother occur, the sum insured would be $\$20,000 \times 100/4$, a total of \$500,000.

Conclusion

IN THIS CHAPTER we've seen that many Christians have a false notion about what insurance really is. This often leads them to avoid some kinds of insurance while readily accepting other types. Health insurance is purchased by almost everyone, while life insurance is not.

Since the concept of risk is inextricably linked to the question of insurance, it is important that each person consider what risks in life he can afford to bear himself or pass on to his family, relatives, or friends. If his family is unable to cope financially with disaster in certain areas, then insurance of some kind should be purchased. This is a principle that can be applied to life, health, and general insurance. If a person cannot afford to replace his home and contents in the event of accidental loss, he should buy a home and contents insurance policy. If he can't afford the high costs of certain medical procedures, he should buy medical insurance. And if there are insufficient funds in the event of a death in the family, then life insurance should be purchased on the lives of both husband and wife.

Some insurance policies offer the chance of wealth transfer to the next generation, so these should be considered and their benefits used if appropriate.

On the basis of the biblical evidence it is not possible to agree with the view that Christians should not buy insurance. This is a mistaken notion based on an incorrect view of God and what it means to have faith in Him. Therefore, Christians should have no hesitation in buying insurance, and making sure they buy the policies that will assist them best to achieve the utmost security and peace of mind for themselves and their family.⁴

4. This essay is from a forthcoming book on money and wealth from a biblical perspective.