



### **Making the U.S. Safe for Gift Annuities: Elizur Wright**

Halfway through the 19<sup>th</sup> century, the framework of public policy supporting charitable gift planning began to evolve towards today's robust system of well-defined state and federal consumer protection laws, administrative regulations, and court rulings. One courageous reformer in particular battled successfully for open disclosure and best practices for the life insurance industry. As a result, charitable gift annuity donors and program managers can now act with greater certainty, safeguarded by public policies and a voluntary system of best practices.

A heroic figure in the story of publicly-sanctioned charitable gift planning, Elizur Wright (1804-1885) was a passionate reformer and actuary who brought consumer confidence to the business of financial contracts based on a human life, such as life insurance and annuities. Wright, a colorful character who fathered 18 children, fought for the abolition of slavery, and personally calculated the reserve values for every insurance policy issued in the State of Massachusetts, was the first State Insurance Commissioner in the U.S.

Often called the "Father of life insurance," Wright campaigned for four decades against abuses in the young, rapidly-growing industry. When he began his crusade in the 1840s, families concerned about the untimely death of a wage-earner had ample reason to be skeptical towards

Reference: Ronald A. Brown, Gift Planning History.org, Making the U.S. Safe for Gift Annuities: Elizur Wright, retrieved July 30, 2013

sellers of financial products. In the absence of consumer protections and standards for holding companies accountable, there were obvious frauds, such as unincorporated "wildcat" insurance outfits fronted by "lightning agents" who pocketed premiums on policies and left town before customers knew they had been swindled. There were common but unfair business practices among state-chartered life insurance corporations, such as immediate cancellation of policies when a single premium payment was missed, with no recognition of cash surrender value.

Most troubling of all were the many insurance companies whose faulty business models were not founded on established principles of actuarial science. Some corporations led by honest businessmen were acting in good faith but with inadequate understanding of how to calculate and maintain appropriate reserve funds. Pressure from cut-rate premium competition was increasing. Responsible insurers feared that consumers, unable to tell the difference between sound and unsound practices, would shun the purchase of life insurance altogether.

Elizur Wright deserves credit for building American consumer confidence in the security of financial products based on human lives, and especially for his leading role in creating a public policy framework that led directly to successful marketing of charitable gift annuities and charitable remainder trusts. He lobbied successfully for legislation in Massachusetts compelling life insurance companies to open their books and be publicly accountable for their business practices, and developed standards for best practices based on actuarial science that provided a model for early charitable gift annuity programs.

Portrait of Elizur Wright retrieved from Wikimedia Commons on July 23, 2013

Reference: Ronald A. Brown, Gift Planning History.org, Making the U.S. Safe for Gift Annuities: Elizur Wright, retrieved July 30, 2013