

The Broader Cultural Context of Insurance: Insurance and Religions

by Jean-Pierre Daniel*

What common ground can there be between religions, dependent on individual spirituality, and insurance, a financial and actuarial mechanism falling within the sphere of economics? Perhaps more than is immediately apparent, if one considers that the insurer handles four raw materials, time and the human lifespan, money and the law of averages, to which religions have never been indifferent.

An observation of insurance penetration levels in countries whose culture is in part defined by reference to a dominant religion encourages the pursuit of this analysis.

When insurers attempt to account for the differentials in insurance penetration levels between different countries, they invoke economic and cultural factors. The economic factors are evident. Insurance is by nature a secondary activity: an asset cannot be insured unless it exists and businessmen must therefore build factories and warehouses and fly aircraft to make it possible for insurers to practise their trade. This simple explanation is borne out in the case of property insurance, the prototype of which is fire insurance, and also in liability insurance. The complexity of economic life, the rejection of uncertainties – which is already a cultural attitude – necessitate the existence of insurance policies against loss or damage inflicted by one economic agent on another. Economic expansion is also a determining factor in life insurance policies. By nature associated more with savings processes, life insurance policies depend on the fact that private individuals have money to save or pass on to their families and want to prepare for retirement or guarantee resources for their loved ones when they die.

Insurance premiums now represent 8.3 per cent of GDP in the U.S., 8 per cent in France, but just over 2 per cent in Greece and only 1 per cent in Turkey. The economists assert, although this is not an argument we adopt here, that the growth of insurance is more than proportionate to the growth of the economy in general and this accounts for the significant deviations between the U.S. and France, on the one hand, and Greece and Turkey, on the other.

In addition to the economic explanation, the other factor facilitating an understanding of the different penetration levels is the cultural aspect. The professionals tell us that selling insurance, in particular life assurance, to a southern Italian is far more difficult than persuading a Dutchman or Englishman. Muslim countries, some of whose legislation prohibits the sale of insurance policies in accordance with the principles traditionally applied in the West, are invoked. Here again, many lessons can be drawn from an analysis of the figures. Differences in the growth of life assurance cannot be accounted for by economic factors alone. To guarantee the relevance of this observation, the last years of the 20th century must be set aside, as banks have increasingly penetrated the life insurance market, thereby blurring the conventional image of life insurance policies and adding a financial dimension.

* Academic teacher and international strategic and marketing consultant to insurance companies.

For a statistically valid comparison, we must go back to 1986, i.e. before the emergence of bancassurance, which brought up products whose similarity to insurance contracts only originated in comparable fiscal features. It can be observed that, at that date, the Americans devoted 3.5 per cent of their GDP to life assurance, the Spanish 0.45 per cent and the Italians 0.40 per cent. France devoted 1.83 per cent of its GDP to life assurance. Certainly, economic growth levels in these countries differed, but clearly the differential between the United States and Spain or Italy was not 7 to 1, and the difference between France and its southern neighbours was not 4 to 1. For a more comprehensive picture, it can be added that, at that date, Tunisia devoted a mere 0.1 per cent of its GDP to life insurance.

Therefore, economics cannot be said to account for everything. Cultural factors come into play and it can be perceived that the link with religion is crucial. Firstly, because we know since Max Weber that Protestants have adopted a different attitude to wealth from Catholics. And secondly, because the four main religions present in that part of the world exhibit different behaviours *vis-à-vis* insurance and the concepts underlying it.

The Bible condemns insurance

The very existence of these differences is interesting given that, going purely by the Bible, which constitutes the starting point or inspiration for the four main religions, one would expect an outright prohibition on all insurance. The condemnation of insurance springs from two principles, laid down in the Old and New Testaments.

The first and general principle is that God will provide for everything. It can readily be deduced that man must not therefore concern himself with his worldly future. God knows the material needs of man and will provide the resources necessary for man to live a correct life on earth. Hence, when the Hebrews were in the desert, God sent them manna every day and they had no need to worry about anything. God provided. This principle is taken further when we read, also in the Book of Exodus, that, when the Hebrews, anxious about the future, put aside manna from one day for the following day, God sent maggots to pollute their food, which rotted immediately. Men are thus punished for their lack of faith. This concept was to be taken up by the Evangelists and interpreted with various nuances by the different Christian religions, which all adhered to a belief rooted in an absolute trust in God on all matters.

Alongside this view of a protective God who, although imposing trials hard to bear, never forgets his children and nourishes them whenever necessary, the prohibition on lending money at interest can be viewed as a contingent fact, directly deriving from the economic context in which the principle was promulgated. Although bearing the stamp of its historical origins, this prohibition had a considerable influence, which was to mark economic thought for 2,000 years. The ban on usury is well-known and influenced all the financial professions at their birth: in the first place, banking, and insurance as an indirect result.

“If thou dost lend money to some poorer neighbour among my people, thou shalt not drive him hard as extortioners do, or burden him with usury” (Exodus 22).

“Do not charge interest to thy brother when thou lendest him money or grain or anything else of thine. Keep that for the alien; to thy brother thou shalt lend without interest all that he needs; so the Lord God will bless every enterprise of thine” (Deuteronomy 23).

Apart from the historical factors associated with the way of life of the Jews from the ninth to the sixth century BC, the religious foundation of this ban at the time these texts were written can readily be understood. Someone who is in need and asks to borrow money is an

unfortunate and is entitled to be given what he needs. There must be no question of interest, precisely because he is in need. This is the charity he is owed, wholly contrary to any notion of payment. Jewish opinion made significant adjustments to these ideas. The Jews constructed a theory of equilibrium between the lender and creditor, demonstrating that the prohibition within the community did not apply outside it, which allowed the Jews of the Middle Ages to become the famous bankers they were.

Islam does not derive from the Bible. Islam simply refers to the Bible and its interpretation is identical to that of the Jews. The Koran is unambiguous: "Those who practise usury will rise up like the possessed touched by Satan . . . because God has allowed trade and made usury unlawful . . . God reduces the profit of usurers to nothing and increases the merit of alms-giving" (Sourate 2 al-Baqaaia).

The ban applies primarily to the mechanisms of life insurance which, due to their essential nature, have an added dimension of capitalization. The ban also applies to all insurance practised in the West, life and non-life, which involve the investment of technical reserves for financial profit. The ban remains current, given that one of the objectives of contemporary Islamic financial theory is to seek to ensure the functioning of modern and efficient financial institutions without recourse to interest in the Western sense of the term.

In the Christian countries, the scholastics, led by St Thomas, took up the torch and formulated a theory for the ban on usury. On the basis of these same biblical texts, they constructed a doctrine structured around the famous formula: "*Pecunia pecunium non parat*", explained by St Thomas as follows: "Charging interest on a monetary loan is an unjust act because it means selling something which does not exist, which is an inequality and therefore an injustice."

The theoretical foundation of the ban is that time has no value because it belongs to God, who provides it without division or condition. Man cannot therefore profit by this gift of God. This reference to time is essential. As demonstrated by Orio Giarini in a text also published in this issue, insurance, by its very nature, uses time as one of its raw materials. Certainly, St Thomas himself did not formulate any reflections on insurance, which did not really exist during his lifetime, but it can easily be perceived that this failure to recognize the intrinsic value of time is hardly favourable to insurance. This is not so far from the Muslim notion that the future belongs to God alone, one of the reasons for their condemnation of insurance.

The religions invoke differing responses

On the basis of these same texts, which leave little scope for insurance, the religions which refer to the Bible have adopted contrasting attitudes as a function both of their doctrinal foundation and the economic context in which they prosper. In recent history, characterized by the historical growth of insurance as an industry, and the present day, the gradation ranges from outright prohibition to pro-insurance propaganda. A consultation of the major religious encyclopaedias, reflecting the current standpoint of each religion *vis-à-vis* the concepts of secular life, proved revealing. In the article entitled "Insurance", the *Catholic Encyclopaedia* explains the mechanisms of insurance with particular reference to the coverage of religious buildings, but makes an explicit allusion to the possible immorality of life insurance. The *Encyclopaedia judaica* also explains the functioning of insurance and stresses the participation of leading Jewish families in its historical development. The *Protestant Encyclopaedia* adopts the same perspective, limiting itself to a broadly secular description. The contents of the *Islamic Encyclopaedia* come as no surprise: it contains no article headed "Insurance".

The major religions thus range from a restrictive viewpoint, to a neutral description of a secular mechanism, to intentional ignorance.

Islam

Today, more than in the past, taking account of the revival of fundamentalism, certain Islamic states prohibit the activities of Western-type insurance companies on their soil. Nevertheless, many Muslims who are believers and respect the principles of the Koran have no qualms about insuring their house or car, in particular when they live in European countries or secular Arab states. However, life insurance continues to pose a problem and many Muslims feel a deep revulsion (all the more marked for being, even to their eyes, highly irrational) for this kind of cover.

Catholicism

Catholicism is no longer opposed to insurance and, in historical terms, cannot really be said to have ever opposed it. Indeed, the Church had lost its temporal power before insurance became a fully-fledged economic activity. The fact remains however that the concepts emerging from Catholicism, more profoundly felt in countries with a Catholic tradition, can readily be interpreted as hostile to insurance. A readier acceptance of dictates from on high, combined with a propensity to trust in God and a distaste for commerce and monetary affairs, are handicaps in terms of recourse to insurance, an essentially financial mechanism.

Judaism

Judaism has not really adopted a particular stance although, paradoxically, Jews appear to favour insurance in their everyday lives. Before the recent creation of the State of Israel, the Jews had never been in a position to dictate legislation, which accounts for the fact that Judaism embodies neither hostility to insurance nor a pro-insurance movement. The profound experience of adversity and the memory of persecution and flights which has marked the collective consciousness of families with a Jewish tradition, induced them to resort to insurance, not only to protect their property, but also to protect their children in the event of their death. In spite of this growth, life insurance remains a questionable issue to some believers. As with Muslims and Catholics, it is the risks associated with human life, a sphere in which divine intervention is the most immediate, which can still pose a problem for some Jews.

Protestantism

It comes as no surprise that protestantism is by far the religion which most favours the concepts on which insurance is based. Certainly, some communities, such as the Amish, are hostile to insurance, but their position is marginal. Because the Protestant lives first on earth, because he separates the material from the spiritual, because the acquisition of wealth is regarded as a duty and sometimes even a token of divine grace, the Protestant does not hesitate to take out insurance. He insures the property he owns or builds, and also his life to help his children after his death, viewing insurance as a strictly economic mechanism without religious connotations.

Religions and insurance in history

From a historical perspective, one discerns a fundamental modification in the balance of forces between insurance and religions over the course of time. At the end of the Middle Ages, the Christian religion and Islam were all-powerful, their precepts opposed the creation of insurance mechanisms, at the time in their infancy and continually evolving. Since that time, history has seen an inexorable reduction in religions, until relatively recently, when we have seen a revival of fundamentalist movements. The last five centuries have seen a progressive and inexorable secularization of economic and social life. The temporal role of the various religions has been weakened to the point of complete disappearance in the Western countries. Although Islamic States exist today, they represent a minority compared with states in which Islam is the dominant religion, but secularization is the rule. During this period, and in particular in the course of the 20th century, the status of insurance became established and its economic necessity more keenly felt, as is the case today if one includes social insurance cover, now as essential to the functioning of modern societies as oil or electricity.

With the exception of Islam, present-day religions do not oppose the growth of insurance. The balance of forces has completely altered. Religion has lost its temporal power and much of its spiritual ascendancy. At the same time, insurance has become omnipresent, affecting the totality of our individual existences and those of our companies. As in the Middle Ages, when it would be unimaginable to build a house or undertake a journey without receiving the blessing of a cleric, today any human enterprise, individual or collective, is the subject of an insurance policy. Can this comparison be pushed further by the perception of a trend towards the substitution of these two forms of protection? In part, certainly.

From divine protection to insurance

Throughout the history of time, man has sought protection against the future, by definition uncertain. The Romans sacrificed animals, the believer prayed to God, the entrepreneur of today trusts in the insurance company with whom he has taken out cover. This parallelism must not however be pushed too far; a Catholic insurer will not seek to reduce a religion (his own or that of another believer) to a simple insurance of the future. The two registers are different: religion is founded on faith, insurance on statistics. But some religions, principally Catholicism and Islam, have had a considerable involvement in social action and have understood perfectly that the growth of public and private insurance would remove one of their most powerful means of action *vis-à-vis* their faithful. This unacknowledged fear certainly largely accounts for the hostility of these religions to the generalization of a mechanism the outcome, if not the purpose, of which would be largely to eliminate them from social action.

However, history demonstrates, and not only in the insurance sector, that religions cannot oppose economic necessities in the long term. Certain religions, in particular Judaism, have understood this fact so well that they have incorporated the principle of necessity into their doctrine, allowing them to adapt to the realities of the moment and survive in spite of present contingencies. Thomism did not prevent the development of interest-bearing loans, Judaism does not prevent a majority of Jews from engaging in activities on Saturdays and the resistance of the Catholic Church will not prevent superstores from opening on Sundays.

If, therefore, religions cannot, frontally and in the long term, oppose the economic realities which make recourse to insurance essential, it cannot be deduced that religious influences have actually disappeared. The separation between the temporal and the spiritual

by no means denotes a uniform perception of concepts such as insurance. Idiosyncrasies persist and religious factors are predominant among them. Clearly, we are not talking about religion in its ritual dimension, given that the decline in religious practice has engendered a reduced knowledge of religious rites. We mean religion viewed as one aspect of the predominant culture of a state or geographical area. Clearly, in particular in the context of the decline in religious influence in temporal matters, religion does not determine an act, does not impose commands any more. Religion today only encourages an attitude, and is conducive to a type of behaviour.

With the decline in religious rites, the influence of religions has become more subtle, but nevertheless persists. Rather than religious, it has become cultural, but still gives rise to a greater or lesser receptivity in the face of the concepts handled by insurers. Risk control and the economic management of the human lifespan are not merely activities “like any others”. The strength of the collective memory and the permanence of cultural factors have generated a paradox: insurance, to the historical development of which religions could not be indifferent, is today viewed within a frame of reference in which the spiritual dimension is still present, although religious indifference has apparently become the majority standpoint.

Jean-Pierre Daniel’s text has generated a substantial exchange of views with Orio Giarini, Special Adviser to the International Association for the Study of Insurance Economics (The Geneva Association). Key extracts from Orio Giarini’s reaction are published below.

I would like to express the following opinions, which have underpinned my commitment to the Geneva Association over several years. I offer a different perspective *vis-à-vis* the progression of the cultural, moral and economic realities of insurance in the context, firstly, of the philosophy underlying the industrial revolution and, secondly, the substantial change in the practice of contemporary economics. My points are as follows:

- It is no coincidence that the themes of risk and uncertainty are today increasingly present in discussions regarding the evolution of the culture and values of our contemporary society. Witness Peter Bernstein’s book: “*Against the Gods, the Remarkable Story of Risk*”.
- From the Renaissance, and even Descartes, onwards, Europe saw the development of a culture, later defined as Enlightenment, which presented itself as an alternative to religious convictions, generating tensions and even incompatibility. With the passage of time, this cultural evolution fostered pseudo-religious attitudes, frequently defined as “scientific” (in particular Marxism, but also many forms of liberalism), which claimed, beginning with verifiable details (see Descartes), gradually to acquire an ever vaster knowledge, perhaps one day to culminate in the climax of all knowledge, that is, God. It was essentially a matter of adopting a line of argument inverse to that proposed by the religions, which postulate at the outset the existence of God and which, in broad terms, perceive a gulf between this knowledge or universal religious power and reality, which is then translated into the mystery or inscrutability on which faith is founded. It is clear that today the anti-religious “scientific” vision has become obsolete; for this to happen, it was necessary to experience the horrors experienced in the course of the last century. However, this process of awareness is not yet complete. At all events, it is difficult today to hold up science as a more effective antidote to risk and uncertainty than religion.
- It is also important to remember that the great economists have always been primarily

moralists: it is no coincidence that Adam Smith (a professor of moral sciences) laid the foundations of industrial economics. This is because it was moral and ethical to promote a better life for our species in human society by providing opportunities for better nourishment and protection than in the past. This is one way of giving human beings more opportunities and combating poverty.

- At this juncture, it becomes necessary to point out that Adam Smith had the capacity, largely intuitive but based on immediate experience of the world he saw around him, to rationalize the key process of the growth of economic well-being based on the production methods associated with the burgeoning industrial society. This was not easy, given that, at the time, industry, which was beginning to expand into the most dynamic factor, still had a minuscule influence compared with agriculture and agricultural resources, on which humanity could rely for its survival. Adam Smith was actually criticized on this point: he was accused of failing to understand that the essential nature of production was linked to agriculture and that industry was essentially a marginal phenomenon. What the critics of the time had not understood was that this marginal phenomenon was in fact the dynamic factor which was, over more than two centuries, to facilitate the transformation of the wealth-producing capacity of our society and the promotion of improved living conditions.
- One can therefore perceive a combination of moral, technical and economic factors. Behind the reality of the industrial revolution and its cultural premises (with their “scientific” or “determinist” foundations), the most important thing was to produce more and better. Science was considered to provide growing certainties which excluded, from the onset of the industrial revolution, an awareness of insurance as an activity. Insurance was nothing more than an index of society’s transitory imperfection. In other words, insurance, now far more acceptable to the religions of Abraham after a lengthy and pragmatic process of adaptation, is still largely excluded from current economic thought in as far as it is still linked to the traditional cultural premises closely associated with the conventional industrial revolution. A close scrutiny of economic analysis in the financial system frequently demonstrates, even today, that the fundamental theoretical precepts of insurance are virtually excluded from the world’s economics faculties. At best, insurance is relegated to a kind of sub-sector dominated by investment activities associated with banks and similar institutions.
- Therefore, in my opinion, it is essentially on this ground that a battle, not yet clearly perceived, to establish “the spirit of insurance” and its cultural, social and economic legitimacy, must be fought. An awesome challenge at a time when the key issues of governability depend on winning this battle: the building of the new welfare society, the management of vulnerabilities of all kinds, including the environment, etc.
- We are currently living through a profound transformation, far beyond what we find in the texts of political economics. Contemporary economics is no longer founded essentially on the production of goods, but on their usage with the lapse of time. This means that economic value is no longer linked, as in classical and neoclassical economics, to the equilibrium of prices formed by supply and demand, in the context of a sale transaction presumed to be “certain”. As soon as the value of activities is linked to their performance over time, it is clear that issues of risk and uncertainty (as is the case for an insurance policy) become applicable to economic activity as a whole. Henceforth, risk and uncertainty can no longer be treated as imperfect information (to be completed by future scientific developments), but must on the contrary be regarded as a fundamental aspect of wealth management, production and usage. The attachment of a price or value to the

future performance of a system is tantamount to placing the notion of uncertainty and risk management at the centre of that system. The future can only be perfectly knowable to a hardened determinist or a madman.

- Insurance is now the economic and cultural core of contemporary society and increasingly relies on a notion of scientificity very different from that of the last century. We are now entering the realm of thought of Karl Popper: what defines scientific knowledge is not its certainty (any claim to certainty is in fact ideological), but actually the fact that, in a context which is indeterminist, any theory claiming to be scientific can only be classed as such because at least part of the theory in question can be proven, in concrete terms, to be “falsifiable”.
- When one has reached this point, the philosophical view of science paves the way for a situation no longer in direct confrontation with the religions of the world. The scientific process consists in demonstrating the extent to which Einstein’s theory is valid up to a point only, but all the new researchers, having ambitions concerning the Nobel Prize, devote their time to proving the limits, even the inadequacies, of Einsteinian theories in order to discover others. In its construction, science does not add bricks of knowledge one after the other, instead each new construction calls into question the previous construction, even if the latter has been used as a starting point. Hence, to claim that human knowledge can become universal and absolute cannot, from a scientific viewpoint, be acceptable. Human knowledge can only, to stretch the argument, be universally shared (which is politically necessary), but will also be adapted with time. Pascal had already stated: “Knowledge is like a bubble in a universe of ignorance, the more it expands, the greater the number of questions and interrogations”.
- This does not mean, from my point of view, that religions are necessarily repositories or keepers of the truth, but at all events they respond to spiritual and psychological needs which do not need to be contested by the scientific mind. On this level, to each his own truth.
- You will therefore see that, if one says “Insurance is a secondary economic activity”, one is implicitly accepting the system of interpretation of the economic and cultural reality of the industrial revolution, which was already introducing a fundamental error of direction in terms of the economic, cultural and social interpretation of the management of risk and uncertainty in modern society.
- I therefore personally dispute that the frame of reference of economic analysis currently used can be regarded as acceptable, given that it is based on the idea that the system of interpretation on which economic theory is founded, i.e. the phenomenon of the industrial revolution, is immutable. I must insist that current economic theory is merely the rationalization of a period spanning two centuries, which has virtually come to an end, during which the objective of industrial production was the driving force behind the acquisition of wealth by the various nations. By the same token, agriculture had a predominant role before the industrial revolution as soon as human kind became established and organized the various forms of agricultural production. Today, when 80 per cent and more of all human resources are employed in service activities (from research, maintenance, education and the transmission of information to waste disposal or recycling), it is clear in my opinion that we are experiencing a phenomenal hiatus between economic reality and its global theoretical comprehension.
- The adaptation of religions to insurance to which you refer in your text is both interesting and useful, but these issues of adaptation derive, in my view, from the fact that, when the main religions developed, they were rooted in an agricultural society. This was a

contingent fact. This attachment to an agricultural society necessitated the condemnation of usury: it was only with the industrial revolution that the concept of the interest-bearing loan became economically essential and, as a consequence, was even morally justified, to stimulate investment and the accumulation of capital, necessary to industrialization. From this viewpoint, it is clear that Adam Smith, as much as John Maynard Keynes, were operating not only at the level of techniques of economic analysis, but also and primarily at the level of the acceptance of moral arguments for the efficient management and use of money.

- We are at present living in an age in which the entire body of economic analysis and understanding of reality (through which the wealth of nations has been created) and the corresponding cultural and moral frame of reference, are in the process of giving way to a new society. This situation underlies the current proliferation of books, initiatives and perceptions which attempt to demonstrate the value and reality of risk and uncertainty in the contemporary world. However, we have not yet seen any detailed analysis of the roots of these phenomena. The classical and neoclassical economists, by unconsciously reiterating theoretical systems without in-depth analysis of the profound factors, associated with a well-defined cultural foundation, underlying economic evolution, are now in virtually the same position as the churches at the onset of the industrial revolution, who opposed developments unfolding under their very eyes. At the moment, it is frequently the economists themselves who, through laziness or lack of ambition, refuse (unless it is simply a matter of defending their established power) to perceive the new economic reality.
- I will go further than you have done: insurance is not merely a spirit, but the very spirit of contemporary economic activity and lies at the core of the production systems and underlying cultural values, which now imply a far more global and profound vision of risk management and the acceptance of uncertainty in everyday productive life.