

Michigan Law Review

Volume 48 | Issue 4

1950

INSURANCE-INSURABLE INTEREST-JOINT ADVENTURERS

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Recommended Citation

Alan P. Goldstein S. Ed., *INSURANCE-INSURABLE INTEREST-JOINT ADVENTURERS*, 48 MICH. L. REV. 533 (1950).

Available at: <https://repository.law.umich.edu/mlr/vol48/iss4/17>

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INSURANCE—INSURABLE INTEREST—JOINT ADVENTURERS—Plaintiff and the deceased were operating an airplane commercially. Plaintiff had purchased the plane, and was paying the deceased \$25 per week plus half of the profits of the venture. The deceased acted as pilot, and was instrumental in obtaining business. Plaintiff took out insurance on the plane, and also on the life of the deceased, although their only relationship was through the joint venture. The plane was wrecked and the deceased was killed while on company business. The claim for the plane was paid, but the defendant refused to pay on the life insurance policy, claiming that the plaintiff had no insurable interest in the life of the deceased. The case was submitted to a jury which found that the plaintiff had an insurable interest. Defendant appealed. *Held*, affirmed. "It was not necessary to prove that the death of the insured resulted in a substantial loss to the beneficiary. . . . It is sufficient that the beneficiary has a reasonable expectation of some benefit or advantage from the continuance of the life of the assured."¹ *Indemnity Ins. Co. of North America v. Dow*, (6th Cir. 1949) 174 F. (2d) 168.

The law has long frowned upon life insurance policies in which the beneficiary paid the premiums, but in which the beneficiary had no reason to hope for the continued well being of the assured. A policy of this type is in the nature of a wager, and since unscrupulous beneficiaries might seek a quick return, these policies are treated as void.² The question as to how much of an interest is required to justify insurance on the life of another was answered in the leading case of *Warnock v. Davis*³ as follows: "an insurable interest . . . [is] such an interest . . . as will justify a reasonable expectation of advantage or benefit from the continuance . . . of the life of the assured. [The interest need not be] . . . capable of pecuniary estimation." In the light of this rule the defendant's argument seemed quite plausible. The plaintiff's only investment was in the plane itself. This was an ordinary business venture, subject to all the vicissitudes of such an enterprise, and moreover, the deceased was just an ordinary pilot, and replaceable. All the plaintiff was doing was insuring the life of an ordinary employee.⁴ The court

¹ Principal case at 170.

² *Grigsby v. Russell*, 222 U.S. 149, 32 S.Ct. 58 (1911).

³ 104 U.S. 775 at 779, 26 L.Ed. 924 (1881).

⁴ "Accepting . . . the definition of 'insurable interest' [in] *Warnock v. Davis* . . . [that] there must be reasonable grounds to expect some benefit or advantage . . . I take it that reasonable ground for such expectation means something more than merely a hope." Simons, J. dissenting in the principal case at 170-171.

found something more in the facts, however, for the deceased was widely known, and well liked, and it was upon her shoulders that the success of the venture ultimately rested. The majority felt that if a jury could find an insurable interest they would not disturb the verdict. It has long been recognized that a business could insure the life of an employee when that employee was of such importance to the organization that his death would certainly result in serious loss.⁵ In this respect the principal case follows the usual rule, and it is only of interest to show the extent to which the concept of "a reasonable expectation of advantage or benefit from the continuance... of the life of the assured" has been carried. Surely any smaller interest in the plaintiff would compel a decision for the defendant. The decision is illustrative of a trend that was noted more than thirty years ago towards reducing the requirement of insurable interest.⁶ It seems likely that the trend will continue so long as juries are given the task of deciding on the liability of insurance companies.

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⁵ *Mutual Life Ins. Co. of New York v. Board, Armstrong and Co.*, 115 Va. 836, 80 S.E. 565 (1914); *Keckley v. The Coshocton Glass Co.*, 86 Ohio St. 213, 99 N.E. 299 (1912).

⁶ Patterson, "Insurable Interest in Life," 18 COL. L. REV. 381 (1918).