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PROCEEDINGS

OF THE

FIFTH ANNUAL MEETING

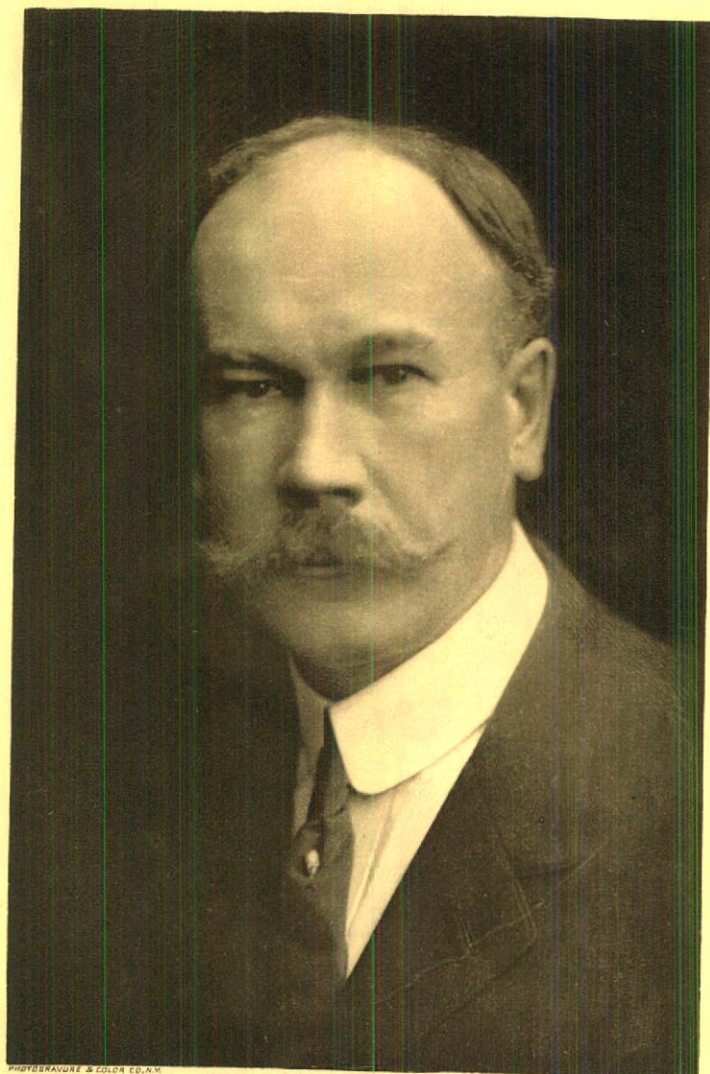
OF

The Association of Life Insurance Presidents

HELD IN THE
HOTEL ASTOR

NEW YORK, N. Y.
December 13 and 14, 1911





PHOTOGRAPH BY EDGAR EDWARDS

Paul Morton

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PROCEEDINGS

OF THE

FIFTH ANNUAL MEETING

OF

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December 13 and 14, 1911

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GENERAL COUNSEL AND MANAGER.
ALFRED HURRELL, ATTORNEY.
J. J. BRINKERHOFF, ACTUARY.
GEORGE T. WIGHT, SECRETARY.
ORLOW H. BOIES, STATISTICIAN.

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JESSE R. CLARK	ALFRED D. FOSTER
W. A. DAY	L. G. FOUSE
FORREST F. DRYDEN	GEORGE E. IDE
SYLVESTER C. DUNHAM	CHARLES A. PEABODY

COMPANIES REPRESENTED IN THE ASSOCIATION.

ÆTNA LIFE INSURANCE COMPANY.....Hartford, Conn.
BANKERS LIFE INSURANCE COMPANY OF
NEBRASKALincoln, Neb.
CANADA LIFE ASSURANCE COMPANY.....Toronto, Canada
COLONIAL LIFE INSURANCE COMPANY OF
AMERICAJersey City, N. J.
DES MOINES LIFE INSURANCE COMPANY.....Des Moines, Iowa
THE EQUITABLE LIFE ASSURANCE SOCIETY.....New York, N. Y.
THE FIDELITY MUTUAL LIFE INSURANCE
COMPANYPhiladelphia, Pa.
FRANKLIN LIFE INSURANCE COMPANY.....Springfield, Ill.
GERMANIA LIFE INSURANCE COMPANY.....New York, N. Y.
HOME LIFE INSURANCE COMPANY.....New York, N. Y.
ILLINOIS LIFE INSURANCE COMPANY.....Chicago, Ill.
METROPOLITAN LIFE INSURANCE COMPANY.....New York, N. Y.
THE MUTUAL LIFE INSURANCE COMPANY OF
NEW YORKNew York, N. Y.
NATIONAL LIFE INSURANCE COMPANY OF THE
UNITED STATES OF AMERICA.....Chicago, Ill.
NEW ENGLAND MUTUAL LIFE INSURANCE
COMPANYBoston, Mass.
NORTH AMERICAN ASSURANCE COMPANY.....Toronto, Canada
PACIFIC MUTUAL LIFE INSURANCE COMPANY.....Los Angeles, Cal.
THE PRUDENTIAL INSURANCE COMPANY.....Newark, N. J.
SECURITY MUTUAL LIFE INSURANCE
COMPANYBinghamton, N. Y.
THE TRAVELERS INSURANCE COMPANY.....Hartford, Conn.
THE UNION CENTRAL LIFE INSURANCE COMPANY, Cincinnati, O.
THE UNITED STATES LIFE INSURANCE
COMPANYNew York, N. Y.
THE VOLUNTEER STATE LIFE INSURANCE
COMPANYChattanooga, Tenn.

PREFACE

1906-1911

The year 1911 was sadly eventful for the Association of Life Insurance Presidents in that it marked the death of two of its most distinguished members, Paul Morton and John F. Dryden. Eloquent words portraying the loss occasioned by their death were spoken at our Annual Meeting, and will be found in their proper place in this volume.

These men were Charter Members of the Association of Life Insurance Presidents. Mr. Morton was its founder. Mr. Dryden was the founder of the business of Industrial Life Insurance in this country. Both had achieved high places in the world outside of the business with which they were identified and in connection with which they were known to nearly every man in it.

On December 3, 1906, Mr. Morton sent a letter to the Presidents of the representative life insurance companies of the United States, in which he said:

December 3, 1906.

MY DEAR SIR: I am impressed with the lack of co-operation among the large life insurance companies, and respectfully urge that we meet and discuss a plan of an organization, the objects of which shall be:

1. To promote the welfare of policyholders.
2. To advance the interests of life insurance companies in the United States by the intelligent co-operation of officers in charge.
3. To prevent extravagance, and reduce expenses by encouraging uniformity of practice among life insurance companies in matters of general administration.
4. To consider carefully measures that may be introduced from time to time in legislative bodies, with a view to ascertaining and publicly presenting the grounds which may exist for opposing or advocating the proposed legislation, according as the welfare of the companies and their policyholders shall point to the one course or the other.
5. To consider anything that may be suitably a matter of general concern to life insurance business.
6. If you agree with me that such an organization is necessary, and are willing your Company should become a member, I will be glad to call a meeting as early as possible to further consider the matter.

Personally, it seems to me that much good can be accomplished by more co-operation between insurance companies.

Copies of this letter have been sent to the Presidents of the principal life insurance companies.

Very truly yours,

(Signed) PAUL MORTON,

President.

At the Meeting held in response to the above letter on December 21, 1906, Mr. Morton gave a brief outline of what he believed the proposed Association's aims and ideals should be. These remarks were not made a matter of official record, but may with propriety be reproduced now. He said:

"The object of this meeting is clearly stated in my letter of December 3d.

"Some one to whom it was addressed saw fit to give it to 'The Insurance Press,' and while I doubted the wisdom and personally declined at that time to furnish the letter for publication, I am now satisfied that it was all right to do so, and the recipient of the letter who gave it to the press is entitled to our thanks for his action.

"I think it is much better that we should proceed to discuss an organization with the full knowledge of the world that we are doing so. I much prefer to be counted as a life insurance president who is actively engaged in trying to bring about better insurance practice by an exchange of ideas and intelligent co-operation, than to be known as one who is satisfied with existing conditions and without hope of improving them.

"It seems to me that it is absolutely imperative that in order to best serve our policyholders we should have a National Organization of Life Insurance Officers, and that much greater foundation for criticism will exist in the failure of such an effort than in its success.

"The basis of this organization should be good faith and square dealing. All kinds of honest life insurance are better than none at all, and it should be the aim of us all not to assail it in any form.

"The success of such an organization as I have in view will to a very large degree be based on a common desire among us all to acquire better results.

"I am not Utopian at all in my views on the subject. I know that we will, in case the organization is formed, have our differences of opinion; that clouds will now and then hang over us; that temporarily we will entertain poor opinions of one another's views; but I believe that out of such an association there is sure to come, with time and patience, a much more enlightened state of affairs in American life insurance, and that in many ways we can accomplish things that will promote the interests of our policyholders and place the business on a higher plane than it is to-day.

"It is not necessary for me to tell you that I do not pretend to be a life insurance expert. I happen to be the head of a large company, but I am there as an executive, as a business man, to administer its affairs in a business-like manner, and as such I urge on the gentlemen now here the importance of the organization proposed, and I sincerely trust you will each state your views fully and frankly concerning the matter, and that remarks be made as briefly and as much to the point as possible.

"I am not sure that, after every one has been given an opportunity to express himself, a committee to report a plan of organization would not be the quickest way to make progress."

As we stand now at the five-year milestone, looking not only into the past, but turning our faces toward the future of the great business of life insurance, we cannot fail to be impressed with the prophetic vision with which the founder of this Association was endowed.

FIFTH ANNUAL MEETING OF THE
ASSOCIATION OF LIFE INSURANCE
PRESIDENTS, HOTEL ASTOR,
NEW YORK

FIRST DAY

Wednesday, December 13, 1911

The meeting was called to order at eleven o'clock by Mr. Robert Lynn Cox, General Counsel and Manager of the Association of Life Insurance Presidents.

MR. COX: Gentlemen of the Convention—It is indeed a great pleasure for me to call to order this fifth annual convention of the Association of Life Insurance Presidents. It is hard for me to realize, as I look back over the history of the Association, that we have been organized and at work for a period of five years. But the time of this meeting is commemorative of the date on which the letters were sent out, which called the first meeting and led to the organization of the Association nearly five years ago.

I think I may say that during that time we have been running on what we might term the "annual dividend plan." We have been holding public meetings each year. We have now reached what we might call the quinquennial period of distribution. I do not know whether we are in a position to declare an extra dividend on this occasion or not. At any rate, we shall try to do so. As we look over the history of the business for the past five years, I believe we can agree that a good deal of progress has been made—real progress—in the history of the life insurance business. Of course it would be impossible to state the many causes to which credit is due, and we might not agree if we attempted to state the principal ones only, but the fact that we have made progress must surely

be admitted. We have made progress in unity—unity of purpose. We have made progress, great progress, in fraternity. There is a better feeling to-day among life insurance men than there was in the past, and there is a better feeling on the part of the public toward life insurance than there was five years ago when this Association was organized.

I remember that quite recently I heard a minister undertake to define religion, and he said that it was man's attempt to place himself in right relation with the world about him. Now I do not know whether that is a good definition of the word or not, because I am not a theologian, but I do know that if that is a good definition of religion, then we might fairly claim that this is a religious organization. For is not that just what we have been trying to accomplish? Is it not our desire and purpose to place ourselves in the right relation with the world about us; that is, in right relation with the great public, which has its views and should have views on what life insurance ought to be and might be; right relation with our policyholders, to whom we have a peculiar relation and a direct responsibility; right relation, too, with the supervising officers in the various states who have their duties to perform and a responsibility to see that none shall do those things which are forbidden by law; and last but not least, right relation between each other, and the creation of the right kind of feeling between all men engaged in the life insurance business? Unfortunately, our point of contact through most of the year is in competition, in battle, as it were. It is sometimes difficult to maintain just the proper relation to an antagonist with whom you are at war. But here at least once a year, under a flag of truce, the executive officers of life insurance companies, supervising officials, men representing agency organizations, and others, can meet in a spirit of fraternity and under a banner of peace for a few days at least. That is one reason we have this organization, and why we think it is needed. That is why I think we have had something to do with the progress to which I referred.

But I am not here to make a speech, although you may think I am starting out that way. I just want to say a word about the gentleman who is to preside at our deliberations for the next two days. He is a man known throughout the insurance fraternity, and in that sense needs no introduction. He is a man known beyond and outside of the insurance fraternity, in fact, throughout the world. Known as a man who has achieved great things and established a great institution, known as a pioneer in this business in days when

it was not so much a question as to whether a particular company could be established and be made to live, as it was whether what is now a great branch of the business could be established at all, whether there was a place for it in the economic system of this country. He fought both battles and succeeded in both. It was he and his early associates, and those who have followed, that established the fact that industrial life insurance could be made a part of the very warp and woof of our social structure. His particular institution, as you all know, has played a very important part in the weaving of that fabric. He is a man who is loved and respected most by those who know him best. I know that you will be glad to have him act as the chairman of this meeting.

I now present John R. Hegeman, President of the Metropolitan Life Insurance Company.

ADDRESS BY THE CHAIRMAN

Mr. Hegeman thereupon took the chair and spoke as follows:

It hardly seems that four years have elapsed since one of the most notable figures in American history, in his capacity as President of this Association, called its first annual meeting to order, yet so it is; Mr. Cleveland continuing, as you will remember, to guide the affairs of the Association up to the time of his lamented death.

We are moved with a sense of gratitude as we survey this audience and our eyes are greeted by such an array of distinguished guests. We cannot adequately say how much we value the presence and the co-operation of those who, by address and discussion, will unite in making notable this fifth annual meeting.

It would be what the theologians define a "work of supererogation" to enter into details, as ordinarily expressed by figures and comparisons, as to the stupendous achievements of American Life Insurance, for with those achievements you are all practically familiar. We dismiss the reference by simply noting that more than twenty-three millions of outstanding policies represent the clientele of the companies forming this Association and that over Two Thousand Millions—two billions—of Dollars stand for the accumulations entrusted to their fidelity. Add to this the like items of other associations, plus the companies unrelated to any co-operating body, and we find more than thirty millions of policies in all and nearly four billions of accumulated resources!

Into what avenues that have led to national greatness has not this stupendous sum gone—in the building up of populous cities—the opening of new areas—the construction of vast systems of transportation—and in the general development of the country's remarkable resources.

Surely this is as sacred and momentous a trust as was ever committed to the sons of men. Yet how careless an observer would he be who perceived in this merely Material Splendor the real factor that constitutes the sacred and momentous character of which we speak. It is for this Association to accentuate the fact, and to live squarely up to the conviction, that Fidelity to that Trust is not measured by an immense accumulation of treasure, nor by a vast number of contributors, nor in the boundless scope of operation; but, rather, in determining the grave Moral Questions involved in its administration and in its appeal to the noblest incentives that can inspire human endeavor.

Nor is it necessary at this late day to reiterate the purposes out of which this Association was born. Its constitution specifies five objects for which it is designed, but they all center in its first and dominant declaration, viz., "TO PROMOTE THE WELFARE OF POLICY-HOLDERS." This is the cornerstone, substructure and superstructure of our Association. That which creates and maintains the true welfare of the policyholders is always and forever right. Anything that by indifference, by lack of concerted effort, would permit that welfare to be impaired will be always and forever wrong. Pledged to seek and defend the Right, and to attack and defeat the Wrong, this Association need have no fear of not achieving the high purpose for which it was designed.

Obviously this is a work of Education—of patiently and persistently supplanting ignorance and malice by plain fact and sober truth.

We must reach Policyholders; the Press; Municipal, State and National departments; Legislatures; all instrumentalities, in brief, that have the making and the moulding of judgment and opinion, or the enforcing of sound remedial and protective measures.

Unfortunately the Ignorant Legislator is still in evidence in attacks upon the business—the man who "means well but don't know any better"—the man who knows no difference between a net valuation and a gross deception and who is ready to ask, as one is reputed to have asked when the relentless operation of the Law of Mortality was cited, "Why not repeal the Law of Mortality and enact a better one?"

Then there is the Malicious member, the striker, the grafter, the man who beats his breast as, with declamatory din, he invokes men and angels to witness the purity and sincerity of his motives—the man generally found to be inspired by 7 cardinal principles, 5 loaves and 2 fishes.

Fortunately in the progressively higher standard of many legislative bodies—in the intelligence and integrity of whose members the companies are finding willing co-operation—the defeat of unworthy schemes promises somewhat less of difficulty. We are coming gradually but surely to look for effective aid from a growing body of intelligent Policyholders, supplemented by an array of indefatigable Agents who stand ever ready to defend their calling, and by an alert Press never unwilling to lend a helpful hand—in all these, we repeat, we witness the results of that patient educational process to which this Association stands unalterably committed.

We are not forgetful of the fact that the mere acquisition of opinions (other people's opinions), the rich intellectual treat derived from able papers and addresses here presented, the delightful companionships here created or cemented—that not in any or all of these, *per se*, is our Association to vindicate its right to live.

These annual gatherings may be likened to a great ocean liner in port, coaling up: laying in store the material that creates propulsive power; such as will enable it to stand the strain and buffet the storms that beat against it, when it comes to the real work for which it is built.

And so, laying up in store the advice, the suggestions, the admonitions, the knowledge and the wisdom of generous helpers, we may confidently trust those who are in command to study the charts—to lay out the course—to start the enginery—and to put in operation all those practical appliances which will most economically and effectively produce the results for which this Association was devised.

And why do we thus emphasize the wisdom of preparedness? Because, scanning the horizon, we find that at no time in the history of the world has so great a number of economic and sociologic questions engaged thinking minds. The plummet of research and investigation never before dropped to such depths. Curative and preventive measures are being applied to all the ills of the body individual and the body politic. Governments and communities are looking upon the Individual, not as an unrelated atom, alone re-

sponsible for the vicissitudes of existence, but as a constituent part of the Mass and as against the consequences of death, old age, physical impairment, non-employment, etc., by right entitled to its protective care. Problems of Arbitration are engaging the minds and consciences of men and nations. The operations of Trade and Commerce, the kinship of Capital and Labor, the metes and bounds of Co-operative Effort—all these are among the questions that have forced upon the world its thinking cap. Every facet and angle of humanity reflects an interrogation point. Out of it all good will come—perhaps vast good—with some Mischief in the making.

And this being so, theorists may be expected to again invade the domain of life insurance. Ill-considered projects will be hatched; wild schemes exploited; all the blunders of ecstatic ignorance may assail it. It is for the companies, therefore, to be prepared for onslaught, much of it in the specious name of "Reform"; to bury deep that cure-all of Paternalism that would seek to absorb much of corporate enterprise—insurance included—and to meet these attacks by such wise economy of operation, by such faultless administration, by such perfect adaptability to every need of the business, as will defy all attempts to dislodge it from well-won, because well-deserved, public confidence.

Thus confronted, the Association of Life Insurance Presidents and kindred organizations must stand squarely up to the firing line. The very highest efficiency must be maintained. To maintain it every element of strength should be invoked. Increase of strength should follow increase of membership. There are those not now on the roster of the Association whose presence and encouragement as guests at our Conventions we greatly value. But we covet their active co-operation as members. We want to feel that they stand shoulder to shoulder with us, willing and wishful to do their share to "preserve, protect and defend" the great business to whose highest welfare we are all alike committed.

Again, we are here at this annual meeting with Open Doors. We have no secrets. No man coveting the benefits to be here derived, especially if he bear a message to illumine any phase of our work, need hesitate to apply for admission. He will be more than welcome to take from us all the benefits and advantages that our study and experience may unfold.

And we may not be accused of exaggeration when we affirm that he who preserves the printed proceedings of these conventions will

in time come to possess a library of most interesting, instructive and valuable knowledge.

We congratulate the Association upon having been able to retain at its head Mr. Cleveland's old associate—for to the wise judgment and intelligent industry of Mr. Cox the efficiency of this body is largely due. He has very cleverly given you an opportunity for preparation in his admirable circular of November 11th. The principles of Conservation in relation to National matters have been under discussion for some time past. This Association believes that, for forests and water-courses and coal mines and natural resources in general, conservation is not more imperative than is the conservation of plans and ideas and methods as related to the great business of Life Insurance. And so he tactfully asked that all might come prepared to take active part in this portion of the program—holding as he does to the Scriptural assurance that “in the multitude of counsellors there is wisdom.”

To Messrs. Hurrell and Brinkerhoff our grateful acknowledgments are also due for able and faithful labors.

In conclusion, on behalf of the Association, I beg to renew to all the guests who are honoring this Convention by their presence, the assurance of our pleasure, and to express the hope that when we finally adjourn you will all count this occasion as among the most edifying and profitable experiences of your lives.

THE CHAIRMAN: Now, gentlemen, in order that no time may be wasted, we will go right on with the programme as published. Permit me to say that we are fortunate in having with us to-day the Honorable Superintendent of Insurance of the State of Illinois. Appointed four years ago, he was recently reappointed for a further term of four years. Within that reference is implied the story of an administration which has been conspicuous for its character and ability. But he does not appear before us to-day in that capacity. Another very important conference is now in session in this city, which is the National Convention of Insurance Commissioners, a body formed forty-two years ago, designed to create a better understanding and a closer co-operation between the various State governments. The Council of Governors, recently formed, is working along practically the same lines.

It now gives me great pleasure on behalf of this Convention to welcome the greetings of the National Convention of Insurance Commissioners through its President, the Hon. Fred. W. Potter.

ADDRESS BY HON. FRED W. POTTER

Mr. Potter spoke as follows:

Mr. Chairman, Gentlemen of the Association of Life Insurance Presidents, Insurance Commissioners, and Other Friends—We are very glad indeed to have this opportunity to-day, as we did a year ago in Chicago, to come before this body. I want to say to my fellow Commissioners that I am especially glad to see them so well represented here. I see not only the younger members of the Convention, but also the Dean of the Convention, Captain Charles Gray, of Rhode Island, whose birthday this is. (Applause.)

To meet again with your Association is both a privilege and a pleasure. It is refreshing, indeed, to know that both company representatives and supervising officials can meet and take counsel regarding the best methods, in their respective spheres, of serving the public.

It has occurred to me, as it doubtless has also to you, in looking over the programme of this Convention, that the work of your body and that of the Commissioners' Convention, is necessarily largely along the same lines, and speaking not only for myself, but for the organization I represent, I desire to say that the work of both organizations should be, in the fullest sense, coöperative. Indeed, I may add that the work of the American Life Convention and that of the National Association of Life Underwriters, as well as the work of your Association and mine, are very similar, and there should be unity of effort among us, let us see where and how we bodies, looking to the betterment of life insurance conditions and practices.

To be of the highest value, harmony of effort should exist among organizations, especially in as large a field as that of insurance. While unity of purpose among individuals laboring in a given field is doubtless of great value, yet much more can be accomplished that will be abiding if organized bodies in the same field can act together for the general welfare.

I take it for granted that in all meetings of these bodies, and in all their discussions, the one object to be sought after and attained is the same, namely, the good of the man for whom the business exists—the policyholder. I shall assume also that reasonable men, no matter whether they are company officers or supervising officials, should be able to agree in all matters in which the interests of the policyholder are of paramount importance. Assuming that there

should be unity of effort among us, let us see where and how we can labor together in the great field of life insurance.

My experience has been that all parties in interest should be able to agree, for one thing, upon uniform insurance legislation, to be recommended to the law-making bodies of the several States.

In the early part of 1907, when the Illinois Department was considering legislation to be asked of the General Assembly of the State then in session, in accordance with the recommendations made by the Committee of Fifteen, representatives from the home offices of the Illinois companies were invited to the department and asked to submit their views concerning the proposed legislation. The same invitation was also extended to some of the general agents of foreign companies residing in Chicago, and elsewhere throughout the State. This invitation was accepted in the spirit in which it was given, and many of the gentlemen invited visited the department and gave us the benefit of their views and experience. All parties realized that legislation was pending, and the sole aim was to make it safe, sane and practical.

This sort of coöperation resulted finally in a complete understanding between the department and the company people, many of whom afterwards assisted in every legitimate way in securing the passage of the desired legislation. The Standard Provisions Law, the law regulating misrepresentations by companies and agents, the investments law, the amended valuation law, and other beneficial measures, both to the citizens of the State and the companies, were thus agreed upon in advance, and the Assembly, much to its credit, passed them in substantially the same form in which they were introduced.

Naturally enough in a conservative State like Illinois, the companies from other States were not required by law to invest their reserves on Illinois business in Illinois securities, nor was any company compelled by statute to limit its commissions to agents to any particular percentage. No limit was placed upon the amount of business a company should write within a given period, nor were any laws passed so severe in their provisions that good companies preferred to withdraw from the State rather than to comply with them. I grant that other supervising officials honestly differ with me regarding the value of such drastic legislation as this, but we in Illinois have had a fair measure of success without it.

The conservative legislation thus passed in 1907 in Illinois proved highly beneficial to both the companies and the citizens of our State, and the manner in which it was brought about well illustrates one

kind of coöperation between supervising officials and company management that should be striven for, in my humble opinion, by your Association and the Commissioners' Convention.

These great organizations should also work in harmony in securing the highest class of field men as representatives of the companies.

The proverb says, "The stream cannot rise above its source," and the ethical standard of a life insurance company, or any other company for that matter, is not and never can be higher than the plane upon which the agency force is operating.

The agents make the company, not the company the agents. The greatest difficulty confronting most of the life insurance companies is that of securing competent agents. In many cases the trouble is even more serious. It is frequently found very difficult for a new company to secure both reputable and competent representatives. This condition often results in unusual commissions, leading to rebates, misrepresentations, twisting, and all the varieties of disreputable practices known to the business, most of which are due to the fact that the agent is ignorant, incompetent or corrupt, and the company necessitous and complaisant.

The watchword just now in all branches of business activity is efficiency, and this quality is as necessary in the life insurance business as elsewhere, but we should, however, very clearly understand just what our terminology signifies. If efficiency means "get the business at any cost or upon any terms," then we should certainly readjust our definition. In the days of high pressure methods many applications for life insurance were secured by agents and by many companies somewhat along the lines of the advice said to have been given by a high financier to his son—"With all thy getting get money, honestly if you can, but get money."

I believe the day of getting life insurance at any cost or upon any conditions has about gone, and that the business has taken on a higher tone, and is on a better basis. The agency standard has been elevated and the demand is now for still greater efficiency. The good agent of to-day is not necessarily the man who puts the most business upon the books, but he who conserves his business by producing the largest number of satisfied policyholders whose contracts will renew.

State supervision has to do with both companies and agents. The laws of the various States clothe the insurance department with sufficient power over the company, but frequently give the super-

vising authorities very little control over the agents. In the absence of proper laws upon the subject, how far may the State Department and the life insurance companies coöperate to raise still further the agency standard, increase the agents' efficiency and thus promote sound and honorable insurance practices?

In most States insurance agents are licensed not upon their own request, but at the instance of the companies they represent. In the State of Illinois agents of domestic companies require no license, and this is the rule in a number of other States. I do not regard the absence of law upon the subject of the qualifications of agents a very serious matter if the companies and departments are in cordial and earnest accord and entire harmony. If we know just what we want, what sort of agents, and what sort of agency practices we require, or what we will tolerate, we can get them without law. Law never made many men honest in or out of the insurance business.

Not long ago a case was reported to me where an agent in my State, of an old and reputable life insurance company, had written insurance in a company not admitted to Illinois. I reported the facts to the officers of the licensed company, asking if this was the sort of agent that the company desired, and what they proposed to do in the case. The agent admitted his guilt, but the company officials, to my surprise, for reasons best known to themselves, retained him as their agent. This is a company that makes high claims with reference to the standard of its agency force. What the officers should have done, in my opinion, was to discharge such an agent, regardless of his standing in business, or the amount of insurance he could produce, notify the Insurance Department that this had been done, and ask for the cancellation of his license.

What the life insurance business needs is the highest code of ethics, and the highest standard of business conduct at every home office, and in the field. If an agent know that his supervising officers and the State Department are in absolute harmony in standing for sound and high class underwriting, and that any infraction of this working rule will be swiftly and certainly punished, bad practice and crooked agents will very shortly be only a memory, and the rebater and the twister will disappear to return no more, we hope, forever.

The supervising departments cannot do this work unaided, nor should they be called upon to do so. The companies own the business, appoint the agents, and are responsible to the public, and they owe it to themselves and the public to coöperate with the State De-

partments at all times, in season and out of season, with or without law, to stop vicious and improper life insurance practices, and punish offenders against the high standard of professional ethics which should characterize a great business like life insurance. I should like to add here that in such a work I feel absolutely safe in saying that they will have the support of such men as make up the membership of the National Association of Life Underwriters.

The greatest measure of coöperation between the companies, the field force and the supervising officials can be brought about by creating a body of loyal and satisfied policyholders. I am frank to say that a growing number of companies have done this. May their tribe increase. They lessen the tribulations of the commissioner of insurance and give him much to be thankful for. A well-satisfied body of policyholders indicates that the company of which they are members is in no great need of State supervision. The attitude of the company to its policyholders is, in my opinion, the most vital thing in the whole business of life insurance.

Every man here believes that his own company is truly a policyholders' company, and it is necessary to him that he should so believe, but it is also true that all within the sound of my voice, both company people and supervising officials, recognize that there are companies that are really and truly above criticism in the treatment of their members. Such companies need no department supervision, they supervise themselves. Let the number of such companies grow rapidly and the life insurance millennium will soon be here. Such companies are not confined, perhaps, in any one particular, to fair treatment of their policyholders, but they are to be commended for the uniform fair treatment accorded them in every phase or provision of their policy contracts. Their business conserves itself.

There is much evidence before us that this class of companies, as stated above, is growing rapidly. No more convincing evidence of this can be found than in the fact that the insured of to-day not only trusts the insurance company to settle fairly a contract which often matures after his death, by paying his beneficiaries a stated sum, but frequently, through the use of the instalment policy, or the income life provision found in nearly all modern life contracts, the company is asked to act as trustee through a term of years and frequently through the life of one or more beneficiaries, who are often minor children.

What greater tribute, gentlemen, can be given you by the policyholder than this? He is giving into your hands the earthly destiny

of those nearest and dearest to him, and the trust he reposes in you is the most sacred possible between men. When we consider, too, that this trust reposed in you has been solicited by you or your representatives, its nature and character are indeed such as should arouse in you the highest sense of responsibility. It makes of your institutions not only insurance companies but the administrators of a solemn trust.

A higher plane of management would have a remarkable effect upon the agent and his work. It would inspire greater confidence than ever in the minds of the insuring public. The agent and his calling would command more respect than ever before. Far better than that, he would learn to have greater respect for himself and his profession. You know far better than I what a wonderful factor for success is the abiding belief of the agent, necessarily inspired by experience, that under any and all circumstances his company will do the honorable thing by his client. Such knowledge on his part arms him with one of the most potent weapons in his struggle for business, and by all rules of the game he is entitled to this assistance from his company's management.

The character of the correspondence coming to a department consists, to some extent, of complaints, usually with reference to the settlement of policies matured by death or otherwise. Speaking for a State in which over eighty legal reserve companies are authorized to transact business, I desire to go on record as saying that fewer complaints than ever before to which legal reserve companies are a party, are sent to me as a supervising official. Better than that, there are companies from whose policyholders or their beneficiaries we never get a fault-finding letter. What higher compliment could be paid to the character of the management of such corporations? They surely coöperate with their agents and the State Departments in the highest sense of the word. They are the pioneers, and when all companies place themselves on the same high plane there will be but little need of active State supervision.

Gentlemen, this organization of Life Insurance Presidents is, I firmly believe, making membership in this body mean something more than standing together against hostile legislation; although I grant that that feature of your work has been, and may continue to be in some quarters, highly necessary. The companies composing this body are also coöperating, I am advised, in taking a firm stand for all that is clean and honorable in your business. Such efforts are commendable and must be productive of the highest results. You

owe it to yourselves and the public to see that each company that has, or shall have in the future, membership in this Association, should keep its house well swept and garnished.

A word as to the supervising official and his duty to coöperate with the company. His authority is given him by statute and by court decisions. Frequently he is also given great discretion, more often implied than expressed. Speaking for myself, I believe he should keep strictly within his sphere of authority. He makes no law, and should exercise his discretion, when he has any, with the sole aim of conserving the rights of those for whom his department was created—the policyholder—never for his own glorification. Should he in the exercise of his authority find abuses, and he will, it is his duty to apply the remedy. This always calls for the use of his best judgment. It is the abuse he must attack, and he should be careful not to attack the business, directly nor indirectly, which is subject to abuse. If there are bad practices fastened upon the business, he should remove them as skilfully as possible, and as quietly as a surgeon performs an operation. There is no need of a brass band. He should never, in my opinion, lend the power of his great office to destroy public confidence in the business, and if it be otherwise destroyed, he should promptly coöperate to restore it.

If an offending company, when its attention is called to an objectionable practice, will cease such a practice at once, and, in addition, do justice to those whose interests have been violated, it should, in my opinion, be permitted to do so in peace. If, however, a company refuses to correct practices which are agreed upon on all hands to be highly objectionable, drastic measures should at once be taken by the supervising official and, in addition to this, the greatest publicity should be given the practices of the offending corporation.

In conclusion, I beg again to express my thanks for this opportunity to attend your meeting, which I feel assured will be highly profitable to all in attendance. I bespeak the greatest measure of coöperation between your Association and the other organizations in the field of life insurance, all of which I believe are planning for the betterment of the business.

I realize that we can coöperate in other fields than those I have briefly touched upon. The conservation of your business, through measures tending to prolong human life and through plans to reduce the abnormal lapse rate, calls for coöperation among all insurance organizations.

The fire insurance people are in a great campaign to reduce the

fire waste, and thereby lower rates. Your campaign of conservation is even on a higher plane than theirs because of the efforts to lengthen the span of human life. The insurance commissioners are working side by side with the fire people in their fight to reduce waste, and I can safely say they will coöperate with you in yours. I thank you.

THE CHAIRMAN: Gentlemen, an organization kindred to our own, embracing some eighty of the younger life insurance companies, mainly of the South and West, is the American Life Convention. It has already done effective work, and its future is of high promise. The gentleman to whom it will be our pleasure now to listen is the Vice-President and Manager of the Jefferson Standard Life Insurance Company, of Raleigh, N. C.

At a recent meeting of the American Life Convention in Pittsburgh he was made president of that organization. Our estimable manager, Mr. Cox, was present by invitation and delivered an address conveying, among other things, an expression of the regard and esteem in which the American Life Convention is held by the Presidents' Association.

With much pleasure I now commend to you Mr. P. D. Gold, Jr., of Raleigh, N. C.

ADDRESS OF MR. P. D. GOLD, JR.

Mr. Gold spoke as follows:

MR. CHAIRMAN: To be invited to address this meeting is an honor greatly appreciated, and as President of the American Life Convention, an organization of more than eighty of the younger companies with home offices in various States of the Union, I bring you greetings. From these young companies who are bravely meeting the problems and surmounting the obstacles that are known only to those who have laid the foundation and performed the heavy work incident to the commencement of the structure, I bring you words of fellowship in the cause of furthering the interests of Life Insurance.

The Chairman of your meeting at Chicago, the late lamented Hon. Paul Morton, said in his opening remarks that the work of your Association is educational, "and has for its sole purpose the promotion of that which is good, and the prevention of that which is bad in Life Insurance." These are motives worthy and well qualified,

and the American Life Convention heartily joins with you in the aspiration of these high ideals. The following is a part of a Resolution passed at the initial meeting of the Convention in 1906.—Resolved “That we favor the utmost publicity in the life insurance business. We invite the closest supervision of honest public officials. We favor such uniformity of laws in the several states as shall safe-guard the interests of policyholders, avoid abuses and acquaint the public and policyholders with all the details of the business. We believe in taking the policyholders into the confidence of the management and believe that corrupt officials should be promptly punished. The searchlight of careful, competent and honest investigation has no terrors to honest life companies.” These are a part of the fundamental principles of the organization and to this end the Convention has used its best endeavor.

Whatever may be their individual opinions on any subject, it is usually true that the broad community idea, with the greatest good for the greatest number, will usually come right in the end. That law which is bad for the old company is worse for the young company, for as a matter of fact, an old company can withstand the evils of unjust laws and improper supervision with greater ease than the company only a few years of age. A young company has the same ideals as the older brothers of the fraternity. Neither youth nor old age are virtues within themselves, but character is the proper observance of the proprieties at any age. The American Life Convention has for its ideal the accomplishment of all that is good in Life Insurance and earnestly seeks the accomplishment of this purpose. It stands ready at all times to lead or lend assistance in matters relative to the general good of Life Insurance and the uplift of the Business. It is unnecessary to add that it realizes the value and strength of the Association of Life Insurance Presidents, and appreciates the good work it has done and is doing.

The American Life Convention believes that an arbitrary State line should not affect the conditions of policyholders living a few miles apart. It favors uniform State laws based upon the true principles of insurance, yet it realizes that the accomplishment of uniform legislation is a long and difficult task, and that the combined forces of all those who understand and are interested in the business are necessary to bring about the desired results. The President of the United States in addressing your Association at its meeting in Washington two years ago said, “You are very sorry that the United States may not find in the Constitution the right to render uniform

the insurance business throughout the Country. Certainly the Supreme Court seems to have settled that question. And your only recourse, therefore, is to secure such common action by the states that the result will be similar to a single Federal Act controlling the business." These words were not only those of the Chief Executive of our Government, but of one who has held high place in the Judiciary of our Country. His utterances are to be taken as an authority on the subject and it would seem that we must look to the state legislature alone for the solution of the problems of interstate transactions in Life Insurance. Therefore, the value of the influence of eighty companies, with home offices located throughout the various States, their policyholders alive to local conditions and in close touch with the State Legislatures, can not be over-estimated.

Virile, active and infused with the spirit of youth, represented by a large body of policyholders necessarily young in relative proportion to the entire amount insured, the young companies largely through the American Life Convention are now working out their salvation, knowing that such salvation must depend upon those principles which will stand the test of time. They have become a part of the great institution of Life Insurance which is making its great contribution to twentieth century civilization. They are doing their part in developing our country by the amalgamation of capital which is necessary for the success of modern industrialism. To their credit is due a large part of the great increase in life insurance written during the past ten years, yet this increase has not been to the detriment of others in the business, for they, too, have made decided gains. They are a part and parcel of the Institution of Life Insurance, of which the widows and orphans of our country are the beneficiaries. Organized in 1906—with only fourteen companies—the American Life Convention is now completing its sixth year with over eighty companies located in thirty states of the Union. At the beginning of 1910 the insurance in force of the Convention Companies amounted to \$710,239,023.00. At the end of that year it had increased to \$1,044,913,126 or about one-sixteenth of the entire amount of legal reserve insurance in force in the United States. At the end of the present year the amount will increase to nearly one and a half billion of dollars, which gives some idea of what the future has in store.

Yet, in probably the greatest of all the contributions which the Institution of Life Insurance has made to twentieth century civiliza-

tion, the young company has not yet come to its majority, and stands only upon the threshold of its opportunities. I refer to that influence of the army of policyholders upon political and sociological conditions. In comparison of the history of man the Life Insurance business is only in the morning of its existence, an infant in the lap of the ages. A hundred years ago life insurance was not regarded a necessity. To-day over sixteen billions of legal reserve life insurance is in force in these United States, which does not include about eleven billions of assessment and fraternal insurance making a grand total of approximately twenty-seven billions. By inculcating in the minds of the public the spirit of thrift, of saving and the proprietary interest in a common cause, Life Insurance has been one of the most powerful factors in creating the community idea, and the awakening of the public mind to the appreciation of the greatest good for the greatest number—the world sentiment of mutual help, and of man's humanity to man. The great body of policyholders yearly paying their stipend for protection has become a power in our modern civilization.

The policyholder, when he comes to realize that his daily savings are being affected by policies of state and government, commences to scrutinize these public policies, and act in accordance with his own interest. While it is true that Life Insurance has not educated for its own benefit, yet it has been a factor in bringing about the spirit of mutual help among the people for the public good. What the policyholders shall do for the Institution that has done so much for them is left for the future to decide, but that it has been a powerful force in creating the world sentiment of mutual help cannot be denied. This spirit of mutual help and community interest is exemplified in the thousands of dollars which have been spent for the conservation of our forests and water powers, the hundreds of thousands that have been spent for the prevention of disease and more perfect sanitation, and the millions that have been spent in the construction of a canal for the benefit of all nations. Life Insurance has been one of the greatest educators of the public in the preservation of the rights of property. It has taught the policyholder that there are other than individual interests, that he is a part of a great corporation, and has an interest in all that affects it, thereby broadening his vision and bringing him to a realization of his own relation to the welfare of others. The army of policyholders is the conservative force in our Republican form of government, that will neither submit to the tyranny of capital, nor to the evils of anarchy. It is an enemy both to predatory wealth and predatory poverty.

In this psychological influence, the companies in your organization have been the propaganda of education during the past half century. But have you taken advantage of your opportunities, so as to accomplish the best results in the education of your policyholders in the interest of the business? Do they realize their proprietary rights in the business of life insurance and does not the fault lie large with the companies as well as with the policyholders? Would not a true appreciation of their position mean an army of defenders of the faith? The Institution of Life Insurance has educated the public, but has not itself received a proper return. When the public realizes that improper laws and unjust taxation affecting life insurance companies are affecting their own property, then, and not until then, will equitable laws be enacted. Local companies, exercising their home influence, can do more to further this education for the benefit of life insurance than any other known factor.

The local company, which may be young as the years go, must be recognized as a thing of permanency. As our country is young in the annals of Time, and as no legal reserve company in the United States doing a general life insurance business has yet attained the age of four score years which may be allotted even to the life of an individual, so the age of any life insurance company is after all only relative. Youth is an incident and may be an element of strength. Its efforts exerted in the right direction is a power for good, and to that end the American Life Convention was organized. This organization is only at the beginning of its opportunities and the future will find it exercising its energies for the betterment of Life Insurance conditions, an advocate of improved methods and more equitable laws.

And, Mr. Chairman: appreciating the spirit of your invitation, realizing the powerful influence of your organization and its value to the life insurance business, I extend greetings to the Association of Life Insurance Presidents, and to quote the language of the Apostle I believe that in "Whatsoever things are true, whatsoever things are honest, whatsoever things are pure, whatsoever things are of good report, if there be any virtue and if there be any praise," on these things we can think and act for the betterment of the Life Insurance Business.

THE CHAIRMAN: Gentlemen, in the matter of the recent controversy in Canada, we take sides with the annexationists—to this extent: We want all the Canadian companies who find it agreeable

and profitable to come south of the St. Lawrence for business, to stay right here and to remain annexed, insurancewise, to the United States, and we want them to extend to us the same cordial feeling. That is the kind of reciprocity we favor.

Across the border there is an organization older than our own, known as the Canadian Life Insurance Officers' Association. The international character of the business of life insurance has led that organization to welcome several of our companies to membership. We in turn have been honored in the privilege of extending like welcome to sundry Canadian companies.

Among the prominent life insurance men of the Dominion holding membership with us is Mr. Goldman, the very able Managing Director of the North American Life Assurance Company of Toronto, and at the same time President of the Canadian Association. He brings to us a salutation from across the border. Mr. Goldman. (Applause.)

ADDRESS OF MR. L. GOLDMAN

Mr. Goldman spoke as follows:

Mr. Chairman and Gentlemen—The Chairman here, whom I have had the honor of knowing for thirty-one years—and whom I respect very much indeed, as does every one here, I know—referred in a humorous spirit to the question of annexation. Now before proceeding to my remarks allow me to say a few words a little outside of the question before us:

You know governments are not usually credited with being philanthropists—at least I never met them. But some time last year your worthy President proposed a very philanthropic act. He said now we have a country of ninety millions of people; we know we have the only country in the world wherein our people can live within themselves for a given time. Which is perfectly true. You can grow everything you wear, everything you want to eat. If you do not appreciate it, you ought to. But I have often wondered when traveling through your wonderful country whether you do appreciate it. And I have often wondered why the good Lord gave you such a wonderful heritage, because some of you don't deserve it. (Laughter.)

However, this philanthropic act was proposed, and some of our people in Canada, the then government, thought it very fine. We were a poor, struggling, miserable people, as you can see when you look at me. (Laughter.) And you, the great, rich, wealthy country,

as you are, wonderful, with your marvelous growth—I wonder at it at times when I think of it—you said, “Here, you poor people, we will give you a chance to trade with us more freely; we will do something for you; come along.” Now, we did not accept it, and what I want to say is, do not construe that as any evidence of ill feeling on the part of our people toward yours. Nothing of the kind exists. It is simply that we prefer to go along and struggle in our own way; that is all. (Laughter.) And those of you who come to Canada know we are struggling very well. We are rather prosperous; I sometimes think, for our limited population, a little too much so. We copy you, you know. We are getting extravagant; too much so. You can afford it. I do not know whether we can yet. However, I am not going into political and economic questions. All I wanted to show you was our kindly feeling. Personally I have been in the United States a great deal, and the kindness I have received—I cannot express myself in appreciation of it.

On the insurance question we welcome you. The only thing we do not like is that our leading people show so much ill feeling toward you that they give you the chance for insurance that we would like to have. Now that is the best evidence I can give you of our kindly feeling, that you are taking the milk out of the cocoanut. We can't help it. It is an open field and fair play, and if you win out we congratulate you.

It is indeed gratifying to see such a large and influential gathering of our members at this the Fifth Annual Meeting of the Association, because it indicates quite clearly that the good work being done by this Association is appreciated by its members.

Those Canadian companies who are members of the Association realize now that it has become an international one, and the work accomplished in the past is the best indication of what can be done in the future for the benefit of the important business in which we are all engaged. I regret that one or two of the companies are not in membership with your Association, nor with the Canadian Life Insurance Officers' Association, which I have the honor to represent here to-day, the reason for their non-membership being, I believe, rather of a sentimental kind than otherwise. However, it is not my purpose to criticise the course taken by any of our friends, as they, and they alone, must be the judges of what they believe to be in their interest. I make slight reference to this because it appears to me the work being done by this Association and by our Association in Canada is for the benefit of all the companies, and the efforts

made by the respective associations to improve the condition of the business wherever that may be done—to watch legislation, to prevent in an honorable and upright manner undesirable and injurious laws being placed on the statute books by the legislatures—can be better accomplished by the united effort of the companies than by the individual exertion of those institutions; besides which, the expense in connection with such work must necessarily be less. Therefore, it seems to me that each company doing business in the respective States should be agreeable to pay its pro rata share, whatever it might be, realizing that from a purely business standpoint good and proper value has been received for such outlay.

I have followed the work done by this Association with much interest, because you are really following in the footsteps of the Canadian Life Insurance Officers' Association of Canada, our organization having been in existence for seventeen years previously. I believe it was my calling the attention of the late Hon. Paul Morton, President of the Equitable Life Assurance Society, to what we were doing, and why we required the co-operation of the American companies transacting business in Canada, that inspired him with the idea of co-operation of the companies in the United States—not a co-operation in the sense of a combine, or a trust, or an organization prejudicial to policyholders, but rather in a form that would be a benefit to the policyholders, and one which would result in a saving of time and expense, as compared with that incurred by the several companies working separately to oppose unfair, improper, and injudicious legislation that arises from time to time at unexpected points. In this respect I think I can justly say that the expectations of the late Mr. Morton have been fully realized, and that the Presidents' Association is to be congratulated on what it has so far accomplished for the good of the business, and can look forward to being of greater benefit in the future to all of the companies.

Our association in Canada, which consists of all the leading Canadian, British and American companies transacting business there (with one or two exceptions), was formed for the purpose of bringing the leading officers of the companies together to talk over unfortunate conditions that prevailed in the business at the time; also that they might know and have respect for each other, and in that way do much good for the business, and by an honorable and straightforward course in the conduct of affairs, act as an incentive, and in itself be an education, to some of those who

thought that the business could be conducted in any old way. The record of the Association proves that those who originated the idea have not been disappointed; in fact, I can truthfully say that to-day the pleasantest relations exist among the respective companies, and any unfortunate question that may arise can be safely referred to the Secretary of the Association, and through him straightened out, without annoyance or expense.

It is therefore evident that our Association, like yours, must be for the benefit of the policyholders, because, by the course taken, the conserving of the respective interests means a large saving of expense to the companies, and where this can be accomplished, it follows that it is a benefit for the whole body, which really means the policyholders, because, although the majority of the companies in Canada are mixed institutions—some with large and some with small capital—yet the return to stockholders is very small indeed, the surplus return being largely given to the policyholders.

No better illustration of the great benefit of our organization could be given than in the Dominion Insurance Act as at first proposed, and which was brought forward some four years ago, founded largely on the so-called Armstrong Bill, which a short time before had been introduced in the Legislature of your state, the same provisions being largely adopted. Our Association as a body opposed many of the proposed suggestions in the new act, besides making many recommendations and improvements to many of the clauses in the said act. The recommendations and changes suggested appealed so strongly to the able Finance Minister, the Hon. W. S. Fielding, that he decided it should have a thorough hearing before the Banking and Commerce Committee. This occupied some months, and as a result it was decided that further consideration was necessary before legislation could be enacted. The bill went through a similar course the following year. The next session the Hon. Mr. Fielding showed his wisdom and judgment by deciding that he would have a small body of insurance experts who should go over this bill with himself and the Superintendent of Insurance. This was done, with the result—the present Dominion Insurance Act, with which the majority of you are quite familiar, and which I think I can safely say is a very fair insurance act, being fair to the companies, and, what is of greatest importance, protecting the interests of the policyholders. In the final stages of this legislation the changes and suggestions were all made in the most friendly and amicable spirit by all interested. The main object to be accom-

plished was to have a good bill. I think the present legislation stands to the credit of the ex-Finance Minister, the Hon. Mr. Fielding, also Mr. Fitzgerald, Superintendent of Insurance, and his able assistant, Mr. Blackadar; the leading members of the Canadian Life Insurance Officers' Association, and also the assistance rendered by the Life Underwriters' Association of Canada.

It is needless to say that since the companies have been working under the present act it has been found some of the sections and clauses therein are ambiguous and that the meaning attached thereto is somewhat uncertain. I have no doubt in time this will be remedied by some changes being made to remove any ambiguity that may exist.

The expenses of the Association in connection with the new act amounted to a mere minimum, which is the clearest evidence possible of what may be accomplished in an honorable and fair manner by an organization of leading men as compared with each company going its own way and floundering around like a ship at sea without a rudder. I am quite certain that but for the Canadian Life Insurance Officers' Association the bill in its unfortunate shape when it was first presented to the House would have been largely adopted and become law.

I was warned in advance that my limit of time was ten minutes. I fear I have exceeded this, for which I shall not apologize, as the object of my remarks is to show the advantage of co-operation when such co-operation is in the right direction, and if there are any companies outside of our organization who are not members, I hope they may reconsider their decision, realizing the importance of the work in which we are engaged, and that they should give it their best support, both financially and as companies.

THE CHAIRMAN: Gentlemen, the supremacy in the matter of energetic operation and rapid growth of the companies of the United States and Canada, as contrasted with those of other countries, is largely due to a superior out-door staff—a strong and very intelligent field force—to the men who have the knack of getting the coveted signature on the dotted line. As to character, ability and general equipment, the standard of the field force on this continent was never so high as it is to-day. These gentlemen perceived ten years ago the value of association, the recognition of comradeship and the necessity for mutual understanding. They began the formation of local life underwriters' associations, a movement developing an untold number of strong men, which rapidly spread through-

out the country. Out of it grew the National Association of Life Underwriters. Our interests being in common, the two associations have effectively co-operated. Without disparaging the ability or services of other worthy men, it will not be denied that the gentleman who will now favor us has been the moving spirit in the National Association, and his labors have been of incalculable value. I beg to present Mr. Charles Jerome Edwards, who will address us on behalf of the National Association of Life Underwriters. (Applause.)

ADDRESS OF MR. CHARLES JEROME EDWARDS

Mr. Edwards spoke as follows:

Mr. Chairman and Gentlemen of the President's Association and Other Institutions—I shall endeavor to hold myself and hew close to the line of ten minutes, as laid down by your General Manager, and thus evidence to you that even a life insurance agent has some due appreciation of terminal facilities.

The privilege which falls to me of representing the National Association of Life Underwriters, and extending greetings in the absence of our President, Mr. L. Brackett Bishop, gives me much pleasure.

First, because the Life Underwriters Associations, representing as they do so important an arm in the great field of life insurance activity and service, are glad to co-operate with, and to have the co-operation of every potent body, such as the Presidents' Association, in the fostering of those economic principles which have become such an immense factor for human progress during these opening years of the century, the extension of which means so much for the future of, not only life insurance, but of all social, business and political conditions.

And, second, because the National Association of Life Underwriters modestly, but very properly, poses as the parent of the Association Idea in life insurance; for it was the prescience of those who organized the body that the principle was initiated, and the fact maintained that life insurance men have come to dwell together in peace and unity.

Further, even though unheralded, the principle of Conservation was at least established, if not understood, by the founders and up-builders of the Life Association movement. The measures of reform established by them, and the record of their quarter century

of activity, have not been altogether sentimental, not altogether ethical, but in most instances have progressed along those lines of human interest and service which begets true Conservation.

In such way as the National Association of Life Underwriters, either by its officers, or through its committees, can aid in furthering the acceptance of the principles and the truths which are embraced in the policy of Conservation, as evidenced by the program of this meeting, and wherever its thousands of members and their agency associates throughout the country may put their hand to the plow in support of these factors which you are working out and the good that will follow as the result of such unselfish service, there you will find us ready.

You will pardon me, if I digress for a moment to point out as one of the cardinal features of our work, the fact that the Association movement, whether in its national relation, or as a local body, has always been free from any effort or disposition to exercise any influence to secure for itself either unfair or undue advantage. Its activities and its influence have been directed along the lines of the Constitutional provision "that the object of the Association shall be to advance the best interests of the cause of true life insurance." Probably no other association of men, comprising so inclusive a membership and representing so great a number of workers, and reflecting the opinions and conclusions of hundreds of thousands, even millions, of policyholders, has ever shown so little selfish appreciation of its powers. No proposition for an alliance of defense or offense, or the propagation of "labor union" methods have ever been advanced among this great body of workers.

The National Association of Life Underwriters casts its lot with the Presidents' Association, with the organization of Insurance Commissioners, and with the American Life Convention, content to assist as it may, and to meet our responsibilities and to do those things always which may be expected of dependable men. Let this be the greeting of the National Association of Life Underwriters and its sixty constituent Associations located in as many different communities throughout the United States, and the Canadian Association as well. Wherever our activities or influence may supplement the efforts of your Association, in any State, whether in legislative halls or in personal channels, there you will find an energetic and efficient committee of Life Association men.

To your program for Conservation, may we add the principles of field ethics, of fair competition, whereby we have set our faces

resolutely against the economic waste of twisting business, and of twisting agents? We have long maintained a constructive rather than a destructive policy. While the casual man here or there in the underwriting field may not accept these principles or follow such program, he stands alone and by himself. It is our purpose to build for permanence, to work for persistence, to eliminate all waste, whether elemental or economic, to forget personal advantage or immediate profit in that quality of effort which spells for the greatest good for the largest number for all time.

THE CHAIRMAN: Gentlemen, the next number on our programme, you will witness, is an address of Judge Hotchkiss, our Superintendent at Albany. Following that come the memorial references to two of our deceased members, the Hon. Paul Morton and the Hon. John F. Dryden. We will change the order of this on the program, through the characteristic kindness of Judge Hotchkiss, as the two gentlemen to speak on the other topics have come here from other pressing engagements, Judge Lindabury, I think, really having come out of court rather than to disappoint this organization.

Two familiar faces that greeted us a year ago as members of our Association have bowed before the grim reaper and joined the majority—the Hon. Paul Morton and the Hon. John F. Dryden. We cannot allow the occasion to pass without placing upon record a tribute to their exalted worth; to the part they played in matters of public concern, and to the signal service they rendered to the great cause of life insurance.

The appreciation of Mr. Morton will be expressed by one who enjoyed his personal friendship and who wrought with him as a trustee in the Equitable Life Assurance Society.

I present to the convention Dr. Alexander C. Humphreys, the distinguished President of the Stevens Institute of Technology.

PAUL MORTON

Dr. Humphreys spoke as follows:

Mr. Chairman—I agreed to come here with very considerable reluctance, for two reasons: First, I felt that I was inadequate to the task that was assigned me; and, secondly, because of the pressure of many duties. But I wish to say, sir, that since I have been sitting here and listening to these addresses I am very glad that the pressure brought to bear upon me by Mr. Cox, seconded by

Judge Day, has forced me into this presence. But I am here to say a few words upon the character, life and services of the Hon. Paul Morton.

From the members of the Board of Trustees of the Equitable Life Assurance Society there should have been no difficulty in selecting one to voice more eloquently their respect and admiration for their late President, but I venture to believe that no one could have been selected from that membership whose words would have had back of them a deeper and more genuine sense of appreciation for what Paul Morton stood for and for what he accomplished.

I had not known Mr. Morton until we came together in the Equitable Board shortly after he assumed the presidency. I was at once impressed by his striking personality; I quickly came to admire him for his freedom from all pretence, for his simple directness of speech and action. I like to think he regarded me as a friend as well as a loyal business associate. I like to remember that on the last day of his life, after a meeting of the Equitable Board, I availed myself of the opportunity to reveal in some measure my personal regard for him, and that he replied in kind.

It is particularly appropriate that such words as I may find to say of Paul Morton should be said before this Association of Life Insurance Presidents, which was organized almost exactly five years ago upon his initiative. In this Association he took the deepest interest, as we, his associates on the Equitable Board, had many opportunities to learn direct from his lips. At the meeting of your Association in New York in 1908, he delivered an address on Grover Cleveland. This address appealed to me strongly because of its simplicity and directness, which was, because of this quality, if for no other reason, an address particularly appropriate to the subject. His tribute was not adorned with figures of speech, but it revealed the mind and the heart of the speaker.

Mr. Morton presided at your annual meeting a year ago. In his address he thus described his conception of the field of usefulness of your Association:

"This Association has for its sole purpose the promotion of that which is good and the prevention of that which is bad in life insurance. The work of this Association is educational, and in every sense it looks after the general welfare of its policyholders."

Sitting regularly with the Board of Trustees, the Executive Committee and the Agency Committee, and occasionally with the Finance

Committee of the Equitable, I had a full opportunity to observe the working out of Mr. Morton's policies as a life insurance president. In the few simple words which I have just quoted he revealed the ideals upon which his policies were built. His associates upon the Equitable Board quickly recognized that he was a born leader of men, but they also soon learned that he was conscientiously diligent to gather from his fellow-trustees every possible suggestion that might aid him in the great work that he had undertaken. To this end, in our meetings of board and committees, he not only encouraged, but he developed full discussion on all open questions. Thus he was continually alert to absorb all that was best in the minds and hearts of his associates. He was a strong man with strong opinions, but was always maintaining an open mind.

His capacity as an executive was enlarged by his great good nature and his keen sense of humor. Once convinced that he was right, he was quietly persistent in his efforts to make his policies effective, and yet always tactful and good natured. He came to the Equitable at the time when our company needed just such a leader to restore to it not only the confidence of the public, but the confidence of its agents and its policyholders.

He was indefatigable in this work of restoration so greatly needed. In my opinion, no one could have been found better equipped for this stupendous task. To this work he devoted about five and one-half of the best years of his life.

On the very day of his death he had announced to the Executive Committee that the last of the greater problems with which he had been struggling for these years had been solved to his satisfaction. Not that he was unmindful of the many other problems to be solved, but he thought, and rightly so, that the path had at last been opened to a definite constructive policy.

And this very day, while yet only in his fifty-fourth year, he was taken from us.

Paul Morton was blessed in his parentage and in his early environment. At the early age of sixteen he went out to earn his own living, taking service with the Burlington Railroad. In this service his promotion was rapid; he rose to the position of general passenger agent in 1886, when he was less than thirty years of age. In 1890 he left the Burlington company to become vice-president of the Colorado Fuel and Iron Company. In 1895 he accepted the

third vice-presidency of the Atchison Railway; and two years later he was promoted to be second vice-president.

In 1904, against the wishes of the president of the Atchison company, he resigned to take a place in the Cabinet of President Roosevelt as Secretary of the Navy; and in this position he resigned in 1905 to come to the Equitable Society.

While Mr. Morton was a member of President Roosevelt's Cabinet, the so-called Atchison rebate case was brought before the public, and some have accused the President of unfairly protecting his Cabinet officer in that connection. A careful reading of the statement made public by the President, June 22, 1905, covering the correspondence between the President, the Attorney-General, Secretary Morton and special counsel, must convince the unprejudiced that Paul Morton had honestly done his best to break up the practice of railroad rebates and to give active assistance to the Government in its efforts to enforce the Interstate Commerce Law. Here he deserved commendation, not condemnation.

In the letter from President Roosevelt to Mr. Morton, closing this correspondence, and also closing the incident, the President used these words in reference to Mr. Morton's proposed service with the Equitable:

"You do not need to be told again the confidence I have in you, and my belief in your absolute sincerity of purpose and your unflinching courage.

"I know that the mere fact that you have consented thus to take control of the Society means that there will be a genuine attempt to make a new, clean management, a control really and honestly in the interest of the policyholders. . . .

"Your success in your new position will mean not only a great achievement for you, but a great achievement for the American public. In business conditions as they are to-day, the head of one of these great insurance societies should be regarded as just as emphatically a public servant as if he were occupying any office through the direct vote of the people. He should be held to the same strict accountability if he goes wrong, and he is entitled to the same meed of praise if by doing his duty fearlessly, honestly and intelligently he increases the stability of the business world, raises the moral tone, and puts a premium upon those habits of thrift and saving which are so essential to the people as a body."

In the same connection, in another part of the letter, Mr. Roosevelt says:

"I do not congratulate you upon entering upon this work, for I do not wish to congratulate any man when he puts his harness on, but rather to wait until he takes it off."

Paul Morton has laid off his harness, and now the time has come to speak of his work in the light of what he accomplished in those five short years; and all that Mr. Roosevelt outlined as to the responsibility to be assumed, Mr. Morton lived up to honestly, strenuously, persistently and yet without ostentation.

Paul Morton's addresses to the agents of the Society, a force which he found greatly demoralized and discouraged when he assumed office, shows well the character of the man. While refusing to compromise with practices of doubtful character, he gradually brought the men in the field into account with his straightforward methods, and convinced them that success could be again reached by faithful devotion to duty.

In conclusion, let me refer to the address which, at my earnest solicitation, he delivered to the graduating class at Stevens Institute in June, 1909. He told briefly and simply of his early life in Nebraska on the west bank of the Missouri. He told how he had seen the Indian, the buffalo, the ox team, the mule team, the six-horse stage, and the side-wheel steamboat disappear, and the locomotive appear; he told of the brave and rugged frontier freighters of those days, and the difficulties they had to overcome. He referred to the advantages enjoyed by a young man starting out in life with a technical education, provided he had the character to employ usefully that education.

Expressed in Paul Morton's own homely way—just the way to hold the attention of his audience—he thus appealed to those young men about to start out to put their theories into practice:

"The young man who starts out to win his way in the world with a technical education has about the same advantage over a competitor without an education that a locomotive possesses over an ox team. Everything is in favor of the locomotive to start with, but none of you must ever forget that a locomotive can be wrecked in many ways, and with bad handling may not get to its destination with as much satisfaction as the ox team. Much depends upon the road, but more on the driver. Every man is his own engineer, when it comes to selecting the road he will travel through life. If he gets off the track, generally he will be responsible for it, and if he is on time, he will get the credit. . . . A technical education teaches you how to do things, but nothing but

your own force of will power will make you do things. Others can tell you how and what to do, but self alone will do them."

This whole address was full of good advice, delivered in a way to make a lasting impression upon the hearers. These graduates were given an opportunity to see what the man bred on the frontier, early thrown upon his own resources, had been able to accomplish with a common school education, supplemented by the teachings of the school of experience. They were able to see in Paul Morton how a strong personality, directness of thought and action and a loyalty to duty are independent of and beyond all formal education.

This commencement address I am taking means to preserve for the benefit of future classes.

In conclusion, we who have worked with Paul Morton can testify to his honesty and singleness of purpose in the discharge of duty. That alone makes an enviable record. But Paul Morton had, besides these qualities, great capacity for effective service, which he employed to the very limit of his strength.

He was a good citizen. The simplicity of his character reminds me of a certain headstone over a grave in the bayous of Louisiana:

"Sarah
a Faithful Servant"

What more could be said?

THE CHAIRMAN: Gentlemen—The tribute to our departed comrade, John F. Dryden, will be paid by one than whom none could be more eminently fitted. For many years he enjoyed Mr. Dryden's fullest confidence—in his capacity as counsel for the Prudential, as his personal adviser and as one of the directors of that notable company.

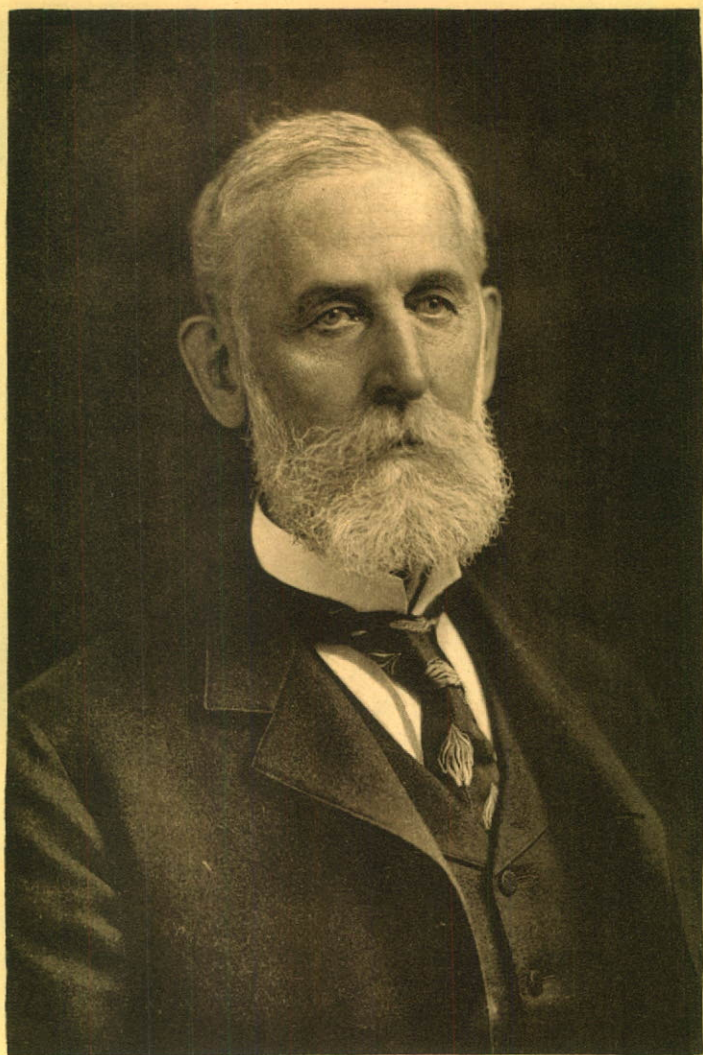
Standing at the head of the New Jersey Bar, and one of the most eminent jurists of our country, a keen student of men and of affairs, he is especially well equipped to appraise the life and work, the character and career of the Prudential's late President.

Gentlemen, permit me to introduce to you Mr. Richard V. Lindabury, of New Jersey. (Applause.)

JOHN F. DRYDEN

Mr. Lindabury spoke as follows:

Mr. Chairman—Gentlemen, I wish I were as well qualified to do justice to the memory of John F. Dryden as your Chairman has de-



PHOTOGRAPH BY EDWIN COLEMAN

John F. Dryden

clared. I am not for various reasons. His death was so recent that his friends, of whom I am glad to be counted one, yet feel the stunning effect of their sudden bereavement. And besides that, with my limited capacity and utter absence of time for preparation, I feel that I cannot, at least now, do justice to this subject.

I could not, however, having regard to my affection for the man and respect for the urgent request of your president, refrain from coming here to-day and before his friends and mine saying a word at least in appreciation of his life and work.

I saw the personal side of Mr. Dryden during the last few years of his life quite closely. Many of you also saw it more or less. To me, to you, it was a lovely spectacle. I never saw more of grace, more of dignity, more of kindly courtesy and consideration for others than Mr. Dryden uniformly exhibited. In his own family, in his company, among his directors, when meeting his employees, everywhere and always there was that same dignity and beautiful exhibition of manhood and kindly disposition.

Of Mr. Dryden's achievements you know pretty nearly as much as I. He had many interests, to all of which he gave the attention that his undertaking of them required of him. He was most methodical in his habits and conserved his time in such way that he always found time to do the thing at hand, whatsoever it was, faithfully and well. Not only into the affairs of the Prudential, but into those of various other large associations, Mr. Dryden entered with keen foresight and sound judgment, and made a mark that will be remembered by those who were interested with him.

In the Senate of the United States all of us know, but none so well as those who were there associated with him, the excellent work that Mr. Dryden did; the faithfulness with which, privately as well as in public, he put himself to the task that he had undertaken, and did the work that was intrusted to him. His service on the committee having the interests of the Panama Canal in charge, will link his name for all time with that great enterprise. And I am told by those who worked with him there that no more honest, intelligent, faithful or useful member of that body had served in it during their time.

But, of course, Mr. Dryden's great work was in the founding and upbuilding of the Prudential Insurance Company of America. He started that with no specially favoring circumstances. He never was a man of robust health, and as you know, he was unable to complete his college course because of a sickness from which he did not

recover in time to enable him to do so. That weakness was constitutional and it attended him throughout life, but yet by conserving the strength that he did have and husbanding the physical resources that were left to him he was able to the end to do a man's work and perform a man's task in such work; and that fact is worth something to all of us, worth remembering by those of us who have strength and those of us who have not, but who are undertaking to do our part of the world's work.

Mr. Dryden was without friends who could aid him or capital which could support his scheme, but nevertheless, with a resolute purpose, and after that close study and severe thought which was characteristic of him, in 1875 he launched his enterprise in the basement of a bank on Broad Street in the City of Newark, and baptized it "The Widows' & Orphans' Friendly Society." The enterprise was an unpromising one. The discouragements that attended its opening years would have been fatal to a man less sure of himself or less resolute of purpose than John F. Dryden. But he had thought the thing through before he began it. He did not start off in a hurry when the conception first took possession of him, but by years of close study he anticipated all that was involved in his plan and thought out the way to meet and overcome the difficulties that were likely to be encountered; and therefore it was that discouragements which might have overcome other men did not affect him. He started in an inexpensive way, and without any salary for himself, and so weathered the bad days in the beginning, and it was only for a few years that the concern was not self-supporting. It became so about 1878 or 1879, and presently the name was changed to the Prudential Friendly Society.

By that time its growth and promise were apparent, and Mr. Dryden's original idea grew along with it, and finally it became the Prudential Insurance Company of America under his direction, in the development of his idea, and through his consummate guidance and leadership. From that small beginning, in that quiet and obscure cellar, has developed the great institution which you know to-day, and which is known all over the world.

That development as well as that conception is the work of the man whose memory just now is receiving our thought and tribute. It was the work of a thoughtful man. It was the work, not of a strong man physically, not of a man with pecuniary resources, not of a man with supporting friends, but of a man without any of these things, who nevertheless was possessed of what was of more ac-

count than any of them—a clear judgment, a resolute purpose and an unconquerable disposition to go on when he knew he was right, and after he had seen he was right until the goal was reached. It was also the work of a man who had cultivated the science of business and, what is necessarily included therein, the management of men.

I never knew any one who excelled Mr. Dryden in the latter quality. His fine conception, his indomitable will, would have gone for nothing if he had not been able to command and lead the services of others.

I do not need to say to this audience how utterly futile it would be to attempt to establish a large insurance business if you did not know how to organize and lead a force of agents in the field; and there Mr. Dryden showed his consummate ability. He managed and led the great force of the Prudential by kind and gentle ways, by showing to them that they could always trust to what he told them; by creating in their minds a feeling that he would never deceive them; by correcting their faults, disciplining their failings, but privately and not publicly, gently but not harshly, with a result that the disciplined servants became the loyal friends and hardest workers of the force.

That was the way that John F. Dryden created an organization which, for loyalty and efficiency, probably has never been exceeded. I think it was a beautiful thing when without his knowledge that great agency force, in order to please and honor him, by concerted action, produced a larger amount of business in the week that marked his 70th birthday than I believe had ever before been produced by an agency force in the same length of time. Be that as it may, it was a marvelous tribute of affection and respect which by silent action and common effort they thus paid their leader and it touched him deeply.

Such was John F. Dryden, so far as I am now able, or time permits, to speak of his life, his work or his character. His accomplishments were great. Those in the field of life insurance were notable and lasting. The business which he founded was new in this country and marked his constructive genius. It was soon taken up by the Metropolitan and has been carried along with equal or greater success by that company, but the two have gone on hand in hand, along similar lines and with similar results, and to the efforts, to the honesty and the high standards maintained by the management of both of these companies is due the high respect in which industrial

insurance is held in this country to-day, and to their efforts and their great success is owing the relief, the comfort and the happiness which is felt in millions of families where but for them, and as formerly, pain, distress and blank despair would have been their only portion. (Applause.)

THE CHAIRMAN: It is my pleasure to introduce to you as the next speaker the well-known and known-well Superintendent of the Insurance Department of the Empire State.

Prior to his incumbency of that important office he had rendered judicial service to the National Government for many years as Referee in Bankruptcy, in Buffalo, and as such became better known, perhaps, than any other referee in the United States. Before that time he had achieved deserved distinction as an active practicing lawyer. Coming to the Department, and claiming no practical familiarity with insurance in its multiform phases, he got a grip upon its problems with remarkable celerity, and he has discharged the duties imposed upon him by the State with pronounced ability and untiring energy. Whatever conclusion he may reach in the exposition of his subject, "The Future of Insurance," it will undoubtedly be one worthy of our most careful consideration, coming as it does from one of the most competent superintendents of insurance we have ever had in this State.

Gentlemen, I take great pleasure in introducing to you the Hon. William H. Hotchkiss. (Applause.)

THE FUTURE OF INSURANCE

Mr. Hotchkiss spoke as follows:

The change in program, good friends, had an appropriateness that I am sure many of you saw. Your faces are turned Westward, where nature and men look toward the setting suns. I would bid you about face and figuratively at least front East, where somewhere the sun is rising, and to the future rather than to the past.

What a vista does the theme disclose! Yet do not be alarmed. In discussing it I shall consider only a few present-day facts as, perhaps, suggesting the phenomena of the future.

The first is the popular prejudice against your great institution—perhaps, more accurately, against the insurance companies. To the average man the word "corporation" is bad enough; but he somehow thinks that the insurance corporation may be capable of every

sin. Hence, many insurance signs of our times—the newspaper scarehead; legislative and taxation burdens; yes, sometimes, administrative restrictions, unjustly severe. For the average man's opinion is popular opinion, and the press and government but reflect it.

Indeed, if here I may insert a word or two from an insurance superintendent's autobiography, the present speaker came into office somewhat obsessed with this prejudice; he had heard little good of the insurance companies; the business suggested finance and finesse; the home office, salaries and syndicates; the field, a refuge to the failures in other fields. Had he spoken to this theme three years ago, his view of the future of insurance might, perhaps, have been voiced in the exhortation:

"Haste, holy friar,
Ere the sinner shall expire,
Of all his guilt let him be shriven,
And smooth his path from earth to heaven."

The common view may not yet have much changed; but, notwithstanding his close touch with insurance—nay, because of it—the speaker's view has changed. In this is his lesson. For now, having been taught by experience, he is able to bear testimony that—exceptions, which prove the rule, aside—the popular distrust of insurance men and insurance companies is, in these days, fundamentally unjust; and that insurance, as now conducted, has a future, not merely a fate!

Again, how often is it said of insurance companies: "They are business corporations: let them alone." But are they that solely, even chiefly: is insurance merely a business? I think not. Time was when some life insurance presidents looked upon their companies as their property—their genius had built them, their energy carried them through a fierce struggle to success. But, in life insurance at least, that time has passed. It is, perhaps, still the fashion to defend the giving of preferential fire or casualty rates, or the secret return to the influential insured of a part of a premium, on the plea that stock companies are conducted for profit and that only by business methods can business be won and done. But this plea is also becoming out of date. In New York, discrimination in rates between citizens, and rebating by companies or their agents are now offenses against the law. In all the states the economic correlation of insurance and government is beginning to be better understood.

For insurance is a commodity of necessity; its production a social service. You recognize this in the key thought of this gathering.

It is a thing worth while to provide indemnities that will prevent penury or promise a good living to the dependents of your fellow-man. That, in the narrow sense, is your fine business. But your whole duty lies much deeper, and you are beginning to recognize and to do it. It summons you, not merely to indemnify, but to conserve. It commands the fire underwriter not merely to pay, but to prevent. It bids you all join hands with government in serving—your policyholders, of course, but, as well—the whole people, in the limitless sphere of conservation. In this aspect of the insurance of the present and the future, you and your companies are becoming, and, as the years increase, should more and more become, the adjuncts of government.

Being such, insurance companies, insurance men, yes, even insurance superintendents, will, unless all signs fail, soon be working together in aid of government in another field of conservation. The little monosyllable "rates" is much the most important word in contemporary economic discussion. The fixing of industrial prices in restraint of trade, and the lowering of railroad rates through rebates to favored shippers are thought the twin evils of our recent history, and the ultimate remedy seems to be a partial price or rate-fixing through the licensing and supervising functions of government. But with what turmoil and loss are these industrial questions now being hammered out! Meanwhile, insurance men sit quiet, and coddle themselves with the reflection that they are not as other men are.

But not so fast. That monosyllable "rates" begins again to appear, a little cloud like a man's hand, above the horizon. Life insurance men do not yet see it—for were not the expenses and commissions in this field limited by law six years ago? But the cloud already is large to men in other fields. The policy-buyer is becoming critical. Firm in the conviction that prices—rates—are no longer regulated by competition, he is turning to government for information and protection. Small wonder! When the middleman's profit and the overhead expense is as great as it now is, say in the fire, accident, and liability fields! Small wonder! When in insurance the competition of to-day is not between companies for the reduction of cost, but between companies for agents and brokers.

The remedy? One of two things: Rate-making by or under the supervision of government, or else an arbitrary limitation of expenses and commissions such as is in New York already effective in the life field. In other words, a lowering of rates through a just

reduction in the cost of producing and distributing insurance—conservation again, but a conservation which should show in the expense, rather than in the loss, ratio. Which remedy is the saner—state rate-making or statutory limitations on expense—remains yet to be determined; but of this I am reasonably sure that, unless the state shall shortly enforce one or the other of these remedies, the future of insurance by private corporations seems somewhat dark.

For, if competition will not fix the rate justly, and government does not step in to prevent economic wrong, what refuge is there but state insurance? Roughly speaking, the premium which the citizen pays is, in turn, consumed in three ways—for management, for commissions, and for losses and reserves. It is a simple deduction that, if management and commissions can be eliminated, the premium will either be much less or will largely be returned to the premium-payer in the form of indemnities. Hence, the strength of the present demand that the state insure. Hence, too, the danger which lurks in the little word "rates." And here, too, is the point where life insurance men become really interested in what insurance, as a social service, ought to cost. For, mark you, state insurance means, in the end, state insurance in all lines. Are we Americans ready—will we ever be ready—for it?

Emphatically, no. The justice of the demand that means be provided whereby industry—that is, the ultimate consumer—shall pay for the wear and tear on its workers, will nowhere be denied. The waste in this field, through uncertainty as to the liability of the employer, the often helpless condition of the employee, the litigation that results, and the kaleidoscopic condition of present laws, make a readjustment essential. Hence, compensation laws have come to stay. But whither may such laws not lead us? That of the state of Washington is compulsory—all employers must contribute to the fund; but it does not yet involve the credit of the state. That of Ohio is compulsory by indirection and, like that of Washington, is state insurance only in so far as it strangely provides that certain highly technical insurance functions are to be performed at general expense; but it, too, does not yet involve the credit of the state. Nor yet did New York's unconstitutional compensation law; nor does New Jersey's probably constitutional statute; nor will Massachusetts' state mutual employers' association scheme.

But how long will an interest amounting to a majority of the electorate be satisfied with this? If the British treasury is to be called upon to support Lloyd-George's experiments in sickness and

unemployment insurance, what assurances have we that similar political expedien-
cies in our states will not, a little later, shift the economic burden of industry in part from the relatively few consumers of a commodity to the great public at large? And if that time comes, how short the step to such a condition as Norway's, where, under a compulsory state insurance system, a large deficit in reserves has occurred to burden the nation's revenues; in short, to a system where government becomes not merely the manager but the sole, the universal insurer.

And then, if we are to have workmen's compulsory insurance with state contributions or guarantees, by the same sign, why not state life and fire and accident, and, even, marine insurance! No movement could be more popular. The voter, year by year, entrusts his government with more functions. Indeed, the first step has already been taken. Wisconsin, next month, inaugurates a system whereby the state itself will grant life insurance and annuities to residents, yes, even to strangers within her gates—without, however, as yet the obligation assumed to see that the indemnity is paid. Commissions are at work in other states with, doubtless, similar statutes in view. The growth of political socialism suggests more experiments of the same kind. The present drift is unmistakable.

The future of insurance, then? Departing as I am from what men call the field of supervision, I say with all earnestness: What is needed by our people is not the submergence of this great institution in sovereignty, but the proper co-ordination of insurance and government. Each should do for the other only what each can do better than the other. In some things—underwriting and adjustment, for instance—insurance by private corporations has been eminently successful. The very nature of these things makes impossible their economic accomplishment through the ordinary processes of government. These the state should, save for helpful supervision, let alone. But where corporate initiative has failed, the state should co-ordinate with its creatures. In some fields—in yours now less than in any other—competitive practices prevent rate-making that is level with economic cost. The temptation to withhold too much for salary or overhead charge, or to pay too much—often far too much—for business, is ever present. Hence, home office disbursements, generally, and commission payments are, in some quarters, higher than can be justified by the service performed. As results, so-called gentlemen's agreements to maintain rates thus

swollen are branded as trusts, and, despite their existence, rate wars are waged which profit the few, but postpone that adjustment of premium charge to economic cost which is essential to public satisfaction.

Save, perhaps, in the life field—and here the state has already acted—insurance by private corporations has not in these particulars stood the test. Here, therefore, government has a duty. It must lend a hand. Indeed, while leaving to its insurance corporations all technical and specialized functions and making no effort, save through proper watchfulness, to interfere with these factors in the rate charged, will not the state in the not distant future co-ordinate with corporate insurance and regulate or limit expenses of all kinds? If it does not, the present drift toward state insurance seems likely to continue. For, whatever be the field, the people will not long pay for the insurance of the future more than such service is rightly worth.

Bacon, in one of his wonderful essays, says:

“He that will not apply new remedies must expect new evils; for time is the great innovator, and if time of course alter things to the worse, and wisdom and counsel shall not alter them to the better, what shall be the end?”

The present speaker does not suggest that the tendencies here indicated are necessarily evils, or that the great innovator is, in insurance, altering things to the worse, but he does urge upon you—upon the insurance world—that wisdom and counsel of which Bacon speaks. In the present drift—yes, in view of present prejudices—they were never more needed. Else in this dear land of ours what shall be the future of insurance—that great institution of service of which we all are a part!

In a word, how much has the insurance world ever done to prepare our people for a clear understanding and a proper solution of these new problems?

How many insurance men even know that, while state life insurance has been in force in New Zealand more than forty years, its early success has not been maintained, its present situation is unsatisfactory, its alleged reduced expense ratio is due more to its inertia than its efficiency, and that, while it has the prestige of a governmental institution, the proportion of state insurance to total insurance in force in that dominion is less and less each year?

Has insurance done anything to make it plain that the boasted

state insurance system of Germany is defeating its object by obliterating the line between compensation and charity, or sought to emphasize the dangers that lurk in an insurance proposal where, as in Germany, either the employers' contributions to the fund or the employees' claims for sickness, accident or old age are fixed by a board of non-experts subject to local or political clamor?

Has insurance yet pointed out that a flat rate state insurance law would remove the incentive to works of prevention, and leave this kind of conservation to pure philanthropy and public spirit, unstimulated by self-interest?

Has insurance done aught to reveal the many failures of government, where the state has taken over or sought to compete with individual initiative in even a quasi-public business?

Has insurance directed attention to the probable drain upon the moneys or credit of government, if, at first a few, then more, and, finally, all the insurance hazards of all the people in all the states are assumed by government?

Has insurance directed public attention to the quite unbearable strain which would be put upon existing governmental functions and departments—say, in a state like New York—should there be added thereto even one of the important insurance lines?

Above all, what has insurance done to blazon the absurdity of a social service—whose work must be in method scientific, whose rates must recognize conditions infinitely diverse and an experience fairly encyclopædic, and whose adjustments with the people must be without fear or favor—of such a system being taken away from present agencies of great skill, the insurance corporations of to-day, and remitted to our American system of politics, partisanship and pull?

And what, finally, is insurance going to do about it?

It is a stock saying that the people must be educated. When will insurance make a beginning? Insurance protests against too much legislation; it complains about the limitations and the rigidity of the law; it rails—secretly, of course—at the stiffening of supervision in recent years. These things are all in the past. Let us contemplate, rather, the future.

For, mark you, if insurance companies of all kinds would, for the common good, but make a serious and effective effort to economize on present items of expense, so that, without increasing burdens, a considerable sum could annually during the next ten years be apportioned for and spent in a comprehensive campaign of education;

if just a little of the energy now exerted in competitive practices could be put into such a campaign; and, most of all, if the great army of agents—their company allegiance, for a time, put aside—could be mobilized into a mighty force of trained insurance teachers—present prejudices against insurance companies would considerably vanish, and, with their selfish interest quickened by knowledge, the people of this nation would put state insurance in all its forms forever aside.

The future of insurance? We live in changing times. Just at the moment it is fortunate that insurance is not commerce—for once its local, rather than its interstate, character is an advantage. But in the coming years? While education may dissipate prejudice and limit legislation, the trend of things is toward more regulation, not less. It may continue under state laws; or, as popular opinion concerning what insurance is, changes, the judgments of our supreme tribunal at Washington may also change, and national regulation—that boon for which so many of you now pray—become a fact. But whatever the system of the future, thoughtful executives recognize that the true relation between company and government should be that of co-ordinates. The era of supervision, critical and commanding, will end, when criticism and command no longer express popular opinion. But the way is not down the narrowing road that ends in capital cities or legislative halls. Rather, is it in the schools and the shops, by furnace and by fireside, through the fields and over the hills and mountain tops of this free land, where live a people eager to learn, and who, when taught will at last know that the insurance of the future is theirs, not yours—and will lend a hand.

Mr. Cox: The Chairman gives me a moment just now to make some announcements. In the first place, it is very important in connection with printing our proceedings that we get the name of each person present and his official connection, if he be connected with a company or with the state. We have prepared printed cards which will be handed to you at the door, or in the room outside, and would request that you tarry long enough to fill them out, in order that we may learn at this time the names of our guests here this morning.

As to this afternoon, you will see there is to be an executive session for the transaction of routine business, which will not require the attendance of any of you excepting members of the Association. If there be a President here who will be unable to attend

this afternoon's session, I should like to ask that he designate some vice-president or other officer to represent him, as it is important that we have a full attendance at least in company representation. That meeting, in order to give you time for your luncheon, we will call for three o'clock. In that connection I wish to say there will be some committee meetings immediately following the executive session, including, among others, a meeting of the Health Committee.

I now make the usual motion that there be a committee on motions and resolutions, to which shall be referred all motions and resolutions which may be offered, the committee to be named by the Chair.

The motion being duly seconded was put to vote and carried.

The Chair announced as the Committee on Motions and Resolutions Mr. Heppenheimer of New Jersey, Mr. English of Connecticut, Mr. Calkins of Pennsylvania, Mr. Dix of New York, Mr. Craig of Tennessee, Mr. Johnson of California and Mr. Harley of Nebraska.

MR. COX: May I ask the members of the committee to meet here after the executive session this afternoon, when several resolutions, heretofore suggested, will be handed to the committee for its consideration.

On motion, adjourned, until Thursday morning at 10.30 o'clock.

SECOND DAY

MORNING SESSION

Thursday, December 14th

MR. JOHN R. HEGEMAN IN THE CHAIR

The Convention was called to order at 11:05 A.M.

THE CHAIRMAN: Will the Convention please come to order.

Gentlemen of this Convention—At our meeting yesterday we were favored with warm words of greeting by an eminent insurance man of Canada. This morning the international character of our business will be further emphasized by the fact that we are to be addressed by one of Canada's most eminent journalists. He is a man who believes in lowering the barriers which separate the two countries commercially. His topic on this occasion leads us to apprehend that he regards the two great nations of the North American Continent as at heart brothers, with common aspirations and common interests. There is no one better qualified to speak upon the fraternity of nations, applying the term to Canada and the United States, than the gentleman whom it is now my pleasure to introduce to you, Dr. J. A. Macdonald, managing editor of the *Toronto Globe*.

THE FRATERNITY OF THE NATIONS

Dr. Macdonald spoke as follows:

Mr. President and members of the Association:

I thank you for permitting me, not only a Canadian, but a newspaper man, to come into your select order; not to talk on insurance, of which I do not profess to know anything more than enough to pay my premiums when they fall due, and to pay them regularly, in good companies; but to talk a little on the background of insurance and of all great industries in relation to politics and to international life. What I have to say I have organized around the idea that you very well said, sir, of fraternity.

FRATERNITY is a good word. It needs no explanation and no apology. It suggests a community of interest in which the welfare of each is the obligation of all. The "Fraternitas" of the Mediæval Church becomes an organizing idea in the modern world. Not for pleasure merely or for the sake of a common social endeavor, but in the interests of business and of trade and of financial strength, the idea of brotherhood is working its way into the world of men.

Men everywhere are learning that no man lives to himself and that no man dies to himself. This is the law of the Exchange. The old maxim of competitive business, "Every man for himself," has proved itself the law of fratricidal murder. Cut-throat competition is suicide. No industry, no house of business, no financial corporation stands by itself alone and apart. By disasters, widespread as they are inexorable, the law of the jungle asserts itself. The man who sins against the brotherhood of business sins against the soul of the business world, and he and his shall reap as they have sown.

What is true in business is true in politics. No city, no State, can live and prosper out of friendly relations with other cities or other States. New York City is bound by ties of common interest to San Francisco, Massachusetts to New Mexico. This nation itself is an organism whose vitality and power depend on the health and nutriment and relationships of all its parts. This Republic is a fraternity of sovereign States. The sovereignty of each State, at one time supposed to be supreme and absolute, is now recognized to be limited and restricted by reason of the growing sovereignty of the nation. There could not be two absolute sovereignties in one body politic. The great Civil War tested the proposition as to whether the whole is greater than the part. Slavery was the occasion, not the cause, of that conflict. That conflict itself was inevitable. It had to come, slavery or no slavery. And it did not end when the flag of the Union waved undisputed from the Great Lakes to the Gulf. That conflict is involved and is irrepressible in every challenge of sovereignty over interstate commerce. Unprecedented and unforeseen developments in industrial organization, in transcontinental trade and traffic, and in the massing and management of the people's wealth in great financial institutions and insurance companies may require a new reading, if not indeed a new writing, of outgrown constitutional forms. The evolution of free government will not destroy the sovereignty of free States, but it will move the seat of supreme authority one step higher. The nation as a whole, and not any part of it, will be, and

will be recognized as being, supreme in national affairs. The nation will then become in the largest reality the fraternity of free States, in which the highest good of all is the accepted law for each. Thus far has civilization brought us already.

But we must go farther. The ultimate of civilization is not national fraternity. The absolute of sovereignty is not national authority. The law of evolution which brought organized society by progressive stages from the individual and family up to the Tribe and the Clan and on to the State, the Republic and the Empire, could not stop there. National organization and co-operation is not the last word in the evolution of civilized society. The nations themselves must now live in a world community. They cannot any more live out of relations with one another. In a world so small no nation can for long stand in isolation, splendid or otherwise. They can not even hold one another at arm's length. Steam and electricity, the world postal service, the expansion of world commerce, and the interlocking of world finance have changed this planet into a neighborhood. The nations that once were strangers and foreigners now rub shoulders as if in the same street. The question now arises: What shall be the relations between nations who by the interests of the modern world must live in the same world neighborhood?

That question goes to the root of national business, of national trade, and of national finance, because it goes to the root of national politics. Politics is the science of government alike for the community, for the nation, and for the world. The politics of a community has to do with the problem of men with their individual peculiarities and interests living together in a common community. World politics has to do with the problem of individual nations living together in a common world. Within two generations the nations have been brought to face that problem over the ruined walls that once separated them and behind which each thought itself isolated, autocratic and secure. Suddenly the middle walls of partition between nation and nation and between race and race, honeycombed by a thousand influences, collapsed and crumbled. As in a moment the nations saw themselves each regarding the others, partly with suspicion and partly with surprise. That new situation raised the problems of world relations. An entirely new *modus vivendi* had to be devised. The international *modus vivendi* is still the vexed problem in international politics. It involves the question of peace and of war.

The survivors and defenders of the old order, the order of inter-

national suspicion, antagonism, and hostility, are loud in their protests that nations cannot stand except on a war footing. They assert as a maxim of social science that human nature does not change when once you cross the international border. Human nature has indeed changed in the individual, in family life, in community life, in national life. Selfish individualism has yielded, stage after stage, to unselfish co-operation in private life, in the business world, in the national relations. In all the lower and narrower spheres brute interests have been curbed by intelligence and reason. Civilization has civilized communities and nations in their internal life. Must civilization stop there? Must it be that civilized nations shall be uncivilized in their international relations? The war advocates say it must be so. The private interests that stand to gain through every expenditure on armaments and battleships argue that, while every other controversy may be settled by law and reason, war is the only arbitrament for nations. And even some political philosophers contend that, although an individual who strikes back is a barbarian or a bully, there is no answer to an insult to national honor or to an encroachment on vital interest except a slap in the face.

To state that position is to expose its folly. The processes of evolution cannot be so arrested. The law which to-day brands as an enemy to society the man who carries a dirk in his boot to avenge his private wrongs will one day brand as barbaric and as dangerous to the law and order of the world the nation that stands ready and eager to pull a gun whenever it thinks its national honor offended. The law of honor is one law, the same for the individual, for the nation and for the world. When the nations become wholly civilized in their thoughts of themselves and of other nations there will be no uncivilized remainders in our international life.

The broad basis of international co-operation and world organization is the fundamental fact of the unity of the race. The working theories, alike of biology and of sociology, are in harmony with Paul's declaration on Mars Hill that God made of one blood all the nations of men to dwell upon the face of the earth. The essential unity of the race is the starting point for world politics. The experiences of the modern world, the international community of interest in matters of industry and of trade, of transportation and of postal communication, of public health and of public safety, all combine to make not only necessary, but urgent, a program of world politics that will do for the nations what has been done for individuals and families and communities within each civilized nation of the

world. There is needed now, and urgently, a fraternity of the nations.

And that sense of fraternity, that "one blood" touch, is far more widely recognized and acted on in the affairs of world life than many casual observers may suppose. Already we have agreements among the nations expressing the international human sense based on the principle that the unity of the race is a natural fact of importance supreme over the political fact of the diversity of nations. Every international agreement or convention or treaty is an international acknowledgment of interdependence and fraternity. Already we have the beginning of a world legislature, of a world judiciary, and of a world executive. But these beginnings are rapidly maturing into developed institutions which in this century, if not in this generation, are bound to bring within sight "the Parliament of Man, the Federation of the World."

There is a stirring among the nations. Those that are of nearest kin and have most in common are coming together for a common understanding, if not, indeed, for common action. The English-speaking nations behave now, in large measure, as though they recognized and accepted the fact of an English-speaking fraternity. Britain and the United States are nearer together in all that makes for international co-operation than ever before since the days of their separation. With so much in common—so much in blood, in tradition, in civilization, in ideal and in prospect—these two world powers should be first to declare for the new order of international good-will and inviolable peace.

On this continent two nations of the English-speaking family live now and have lived for a hundred years in a fraternity which is the model and the inspiration for all other nations of the world. On neither side of an international boundary of nearly four thousand miles is there a fort or battleship. Because of this freedom from menace there has been freedom from war. What now needs to be done is to abolish not only the fact, but the fear of war. To do that is the purpose of the treaty of arbitration now pending before the Senate at Washington. As President Taft says, that treaty of arbitration between the mother country and the United States would make war impossible and put even the thought of war forever out of the question.

With the proposed Anglo-American treaty stands a similar treaty of arbitration between the United States and France. Were these treaties ratified and made the law between these three great world-

powers other treaties would follow. It is given to the United States at this moment to blaze the way for all other nations. This great American Republic, the heritor of so much of what is best in the past of Anglo-Saxon civilization, should be the leader to even larger and better things for all the world. Not for their own sakes alone were the chivalry of the English Cavalier, the high idealism of the Puritan and the compelling energy of the Scottish and Scoto-Irish races poured into every life-artery of the first sovereign States that composed this American Union. Not for their own sakes were these United States, after an awful baptism of blood, given a new birth of freedom. Not for themselves but for the world these United States drew and still draw the best blood and the most potent ideas from every great race and from every free nation, and that here on the broad spaces of the new world new ideals of human life for all nations might be lifted on high, and government of the people, by the people and for the people might not perish from the earth.

In America's contribution to the fraternity of the nations Canada is called to have a place and part. Unique and strategic is the position of the Canadian Dominion. One with Britain in its great legacies and achievements and lofty inspirations, the nearest neighbor of the United States, and sharing with this Republic in the obligation of America to the world, it is given to Canada to be the bond and the interpreter between these two world-powers, and to hold them in an inner fraternity around which will gather the new-born "Fraternities" of the world.

And in bringing about that desired consummation the great institutions of finance have their opportunity and their obligation. It is charged that already the great war nations of the world are controlled in matters of peace and war not by Parliaments or Presidents or great reigning Houses, but by the money-lenders of London, Berlin and Paris. When Pitt introduced the "Deferred Payment" principle into the financing of international wars, the piling up of war debts began to put all the war nations under subjection to the "unseen Empire of Finance." In the war councils of the nations money speaks with final authority. Was it not one of the chief New York financiers who said that twenty-four hours of the Venezuela war-scare meant a loss of two billion dollars? What happened only the other day when war talk waxed high and hot between Germany and Britain? Who called a halt? Sir Edward Grey, or Lloyd George, or the German Chancellor? No! it was the omnipotent House of Finance.

Be that as it may certain it is that for you who hold in trust the vast funds of life insurance companies peace means prosperity, and even the rumor of war means disturbance and loss. War anywhere endangers the securities everywhere. I speak not with the authority of your first-hand knowledge and experience, but do I not speak the unquestioned truth when I say that, of all men, you who are responsible for the earnings and savings of millions of trusting people are bound to be pledged and unfaltering advocates of international peace? The full power of your personal influence and of your associated efforts must be behind the proposed arbitration treaty under which independent judicial processes and not war shall determine international disputes. In your judgment no lofty notions of senatorial function and dignity shall interfere or block the way to the fraternity of the nations. Not only for the honor and the civilization of America, but for the sake of your own great trust—the insurance investments of your millions of policy holders—international arbitration claims your vote.

But to you an argument other and more appealing than the financial must come home. You and all your companies are deeply interested in the physical and moral improvement of all the people. Every influence making for the deterioration of the race is inimical to life insurance business. The spread of disease, the multiplication of the unfit, and whatsoever lowers the vitality or tends to physical and moral degeneration are forces working against the very interests which you are banded together to conserve and to promote.

Have you seriously considered the reflex influence of war on the physical life and moral progress of the nation? Forget for a moment the romance of war stories, the appeal of war songs and the flaming perorations on the heroism and glory of the battlefield. Think rather of its biological reaction. Estimate the inevitable results of killing off in battle or by disease your men of high courage and devotion, or of segregating in military camps tens of thousands of the fit specimens of your young manhood. Judge what it means to breed a new generation from less than the best of the generation that went before. If like begets like, if the laws of generation hold and are inexorable, if blood tells, or, to speak more exactly, if protoplasm tells, will you gather physical vigor and first-class risks out of a generation bred from depleted vitality and diseased blood?

History tells what war meant for old Rome. The best of the breed fell in the wars of the Cæsars, and at home from less than the best were bred the fops and dandies whose generation meant the decline and fall of the Roman Empire. It meant the same for France; the flower of the race were drafted into Napoleon's armies; they fell on the battlefield, they died in the trenches, they rotted on the march, and two generations did not make good the loss. We know what it meant to Britain. "Send us the best ye breed," was the insatiable call of war. The best were sent. They fell by the sand drift, on the veldt side, in the fern-scrub, and many of them left no sons to "follow after by the bones along the way." Blood was the price of admiralty. Britain paid in full, paid with the best. The awful cost is seen to-day in the hopeless face of the common city crowd, and in the desolateness of the moor and the glen, where once were bred races of giants and heroes.

And has America no experience, no warning? Men ask, sometimes pathetically, where are the men of heroic mould who gave distinction to statesmanship and literature and life a generation ago? Where are the hundred orators of Boston, the new generation of poets and philosophers and public men, to snatch up and carry on the fallen torch that once lighted New England? The answer comes from the Memorial Hall of Harvard University with its silent voices. Like answers come from Illinois, from Indiana, from Missouri, from Kansas, from Kentucky, from chivalric old Virginia. Six hundred and fifty thousand men of the North, and four hundred thousand men of the South, the best the Union bred, went out in that awful slaughter, and not yet has life found in that loss a gain to match.

Tell me what has been the loss to this nation of the blood and the life poured out in that, your one great war? It is not alone the loss of the men who were, but the still more unspeakable loss of the unborn heroes and leaders who might have been. The bounty-jumpers, the skeddaddlers and the mercenaries went on producing after their kind and of their breed are your grafters in politics, your plunderers in business and your vampires in social life. Is it any wonder that so many places are vacant or badly filled—places in business, in finance, in politics, in education, in the State and in the Church, where none but men of integrity and power should stand!

This, then is my word to you, masters and captains in the world's finance: Hear the call of the dead who fell on battle-fields and died in hospitals and languished through the ruthless wholesale murder of the nations. They call to you who stand in the place of honor that you should join hands to make wars to cease and to dig this insufferable burden of the world's sorrow once and forever out of the way.

Hear you the call of the living—the voiceless, uncounted common folk, to whom life's daily burden is hard and heavy. They call to you who are strong that you stop this awful heaping up of war debts which curse and crush the war nations and block the way of every humane Government that would fight ignorance and disease and grinding poverty among their peoples.

Hear, too, the high and holy call of the genius of your country from the mountain-top of vision, appealing to you to make America a land where service is freed from toil, where honor rules the market, and where a common man shall have a man's great chance; a commonwealth whose high ambition is the common weal of mankind, a democracy in which the power of the people secures the peace of the world.

Men in the world of men, catch that vision. Follow that gleam. Turn not back and turn not aside until your Republic shall have earned and shall have won charter rights in that fraternity into which one day shall be brought all the glory and honor of all the nations.

THE CHAIRMAN: Gentlemen, I recall an instance in English history, where I think at the trial of Warren Hastings, after the magnificent speech of Richard Brinsley Sheridan, the chairman made a motion that the House adjourn for ten minutes that it might overcome the magnificent spell of his oratory. I feel almost like asking that we have an adjournment for a few minutes in order that we might somewhat overcome the spell of this magnificent eloquence we have heard this morning.

In the vernacular of the day when we come across a man carried away with some strong conviction, animated by some specially high purpose, perhaps possessed by a consuming passion, we say he has wheels. Well, I am going to introduce to you now a man who has wheels. (Laughter.)

Several months ago the country at large was brought to realize that the State of Louisiana had as President of its Health Board

a man of action, of courage, and of ability. As a public official he deemed it his first duty to improve health conditions rather than to conceal them. He believed that this could be done by an educational process which appealed to the understanding through the eye and the ear. Knowing the importance of gaining the attention of the people at once he chose what at the time was deemed to be a spectacular method of preaching the Gospel of Health. He hired a railroad train and equipped it with material to teach the needs of the State viewed from the standpoint of the health officer. He arranged to send his train to all of the principal cities and to the stations along the way, nearly three hundred in all, inviting people in the language of the signs at the railroad crossings to stop, look and listen. And, as might be expected, they did stop, look and listen—not only the people of his State but of the United States.

We are fortunate in having him with us to-day and he will tell what he did and how he did it, in order that we may gain inspiration for others who, in the important interests of public health, ought to follow in his footsteps.

It gives me great pleasure, gentlemen, to present Dr. Oscar Dowling, President of the Louisiana Board of Health.

THE GOSPEL OF HEALTH ON WHEELS

Dr. Dowling spoke as follows:

Mr. Chairman and Gentlemen—I am glad to have this opportunity of being with you and of bringing to you words of cheer and good wishes from the American National Health Association, which recently convened in Havana.

I am reminded of an expression which was used by one of our ex-Presidents when he said that a man who never made a mistake was not worth while, and of that old adage that mistakes happen in the best of regulated families. Within the past five years I have been rejected for insurance by two of your companies. I stand here to plead with you my cause and to tell you that I have reasons to believe that I will be on this earth three score and ten years from this date (laughter). I hope to live to see the time when I can tell you that you made a mistake and that you will be willing to acknowledge it. I do not bear you any ill will because I believe you did what you considered to be your duty, to protect your own interests, notwithstanding the fact you declined the small amount that I might have contributed to your exchequer.

The results of the practical application of the principles of modern scientific medicine are convincing. Eradication of disease in the Canal Zone and lengthened term of life in Prussia from sane sanitary legislation and enforcement of the laws are practical examples.

Yet, with these and other tangible proofs of the wonders that may be wrought in environment for individual and public health, comparatively little has been accomplished.

Philanthropy has done much in remedial provision. But remedy is not prevention. Waiting for disease to arise in the individual and then attacking it involves enormous economic waste, a waste of time, energy, earnings, efficiency. Nor is this the sum total of the consequences. Modern mental sciences fortify the conclusions of scientific medicine that disease is the cause, direct or indirect, of vice, crime, insanity, pauperism, and defective minds—the worst evils of our present-day civilization.

Philanthropy is effective for the social unit only when it is "business philanthropy," paradoxical as the term may seem. A reform becomes a success when "it pays."

The cure of disease in its larger aspects lies in its prevention in the individual, the community, the state. This involves operation on the mass rather than the individual.

At present the people do not understand the close relation of health and efficiency; they are not informed as to the principles of hygiene and sanitation; they are ignorant of the means of prevention and the economy of preventive measures.

Our civilization moves on from day to day, point by point. People "go and do" what seems good to them at the moment. New knowledge, if presented acceptably and related to the experience of the individual, influences the action of the adult as well as the child.

Ignorance, dirt and disease are co-related; intelligence, cleanliness and health form equally a logical sequence. No one knows this better than the health officer. Fifty years ago, before the discoveries of the bacteriologist and the experiments which have evolved the science of preventive medicine, perhaps, the health official could do no more than write reports and wait for an epidemic "to happen." But now with definite data at hand of appalling—preventable—mortality and concomitant evils, inactivity in a health department is inexcusable, if not criminal.

These considerations, together with faith in the progressive character of the citizens of Louisiana and belief in their receptivity to truth, prompted the aggressive campaign begun October, 1910, one

feature of which, "The Gospel of Health on Wheels," you have accorded me the honor of discussing.

The effort to get an equipped "Health Train" without money in our purse is the first chapter of the story. To ask the loan of two cars purely for humanitarian purposes in a period of "car shortage" was simply to "waste time." No "sane man" would think of it. Perhaps there is something in knowing whom to ask. The request was made, and through the generosity of Mr. D. D. Curran, President and General Manager of Queen and Crescent, and his superintendents, Mr. S. E. Flanagan of the New Orleans and North Eastern, and Mr. H. B. Hearn of the Vicksburg, Shreveport and Pacific, a resident of Shreveport and a fellow-townsmen, two cars were obtained without a dollar.

Later, through the good will and interest of private individuals, Mr. Richmond Dean of the Pullman Company was enabled to let the State Board of Health have a coach for a nominal sum. This car was used on the tour for living quarters for the force, and will be utilized permanently for educational and inspection work.

Transportation was given over every railroad in the State. Seven thousand miles were traveled and two hundred and fifty towns visited. Two of the cars, through the courtesy of the Southern Pacific, Union Pacific, and Illinois Central Railroads, were taken from New Orleans to Los Angeles and return also without cost to the State. The good accomplished on this educational trip is due, in a large measure, to the intelligent broadmindedness of the railroad officials who were so generous.

The exhibits also were loaned. Tulane University, the Russell Sage Foundation, the Anti-Tuberculosis League, and numbers of physicians and institutions gave willing assistance. In the laboratory of the Board of Health food exhibits of various kinds were prepared.

In the selection, effort was made to present in concrete form the latest discoveries relating to oral hygiene, pure food, and facts pertaining to contagious and transmissible diseases, especially tuberculosis, typhoid fever, diphtheria, smallpox, malaria, and hookworm disease. Models showing the various aspects of water-supply and purification, the disposal of sewage, the details of milk-production and distribution, working models illustrating methods of ventilation, types of bubble fountains and models of household sanitary appliances were a part of the equipment.

A motion picture outfit was purchased. Three films, "The Man Who Learned," "Pesky Fly," and "The Red Seal," with one hun-

dred and twenty slides were shown as part of the general program. This feature was the most attractive and effective of the whole "show," as the old black mammy named it. As she alighted from the car, the darkies gathered around her—the settlement arbiter—to be told what they should think. Placing her hands on her hips she said to the group, "Yas, sir, 'fore God, dat de bes show I ever see." "The Health Train" became the "show" until we got to Chicago. There it was the "bug car" or "microbe special."

The daily program consisted of instructions on different phases of personal and community hygiene to the children, to men and women in separate groups, and to negroes. At night, when the pictures were shown, a talk was given on general sanitation.

The phase of the work with which the people were most concerned and which caused the most comment was Inspection. A careful scrutiny was made of dairies, slaughter houses, markets, bakeries, stores where drugs or food products were handled, hotels, restaurants, boarding-houses, lunch counters, soft-drink stands, ice-cream parlors, barber shops, jails, court houses, schools, and other public buildings and railroad stations. A survey was made of the local water supply, sewage system, and method of garbage collection and street cleaning was noted.

At the general public meeting a report in detail of places inspected with names of proprietors was read. Copies were sent to the proper authorities and local papers. The method was somewhat drastic, but no favor was shown and no comments made except recommendations, and the reports themselves were the best proof that it was to the interest of all that conditions should be made known.

The work was very trying, but each day was enlivened with interesting incidents.

Now and then the desire to use any commendation that could be obtained as an advertisement was manifested, as in one experience with a dairyman. Returning about five A.M. Christmas morning, from a visit to the markets, I was—incidentally—looking at the delivery carts and manner of handling contents. While inspecting the wagon of this old fellow, I asked concerning tuberculosis in his herd. He said he had just given away two cows that had "consumption." "Poor things," he could not bear to see them killed. His friends, however, to whom he had given the animals had sold them to a butcher for ten and twelve dollars, respectively. I gave him the law on the subject, also my criticisms of his cart. He then asked me to visit his dairy, ten miles in the country, to "approve" it.

I told him the town must be inspected and it would take all day. Later, at a most inopportune moment, he came again and insisted I go with him as "he needed me." Jokingly I said, "My friend, my time is worth fifteen cents a minute. I cannot stop to argue with you. I'll gladly go the next visit." He reached into the depths of his "jeans," pulled out a roll of money, carefully selected a twenty-dollar bill and handing it to me said solemnly, "I am willing to blow that much on you." The laugh that time was on me.

A canny dairyman, on being told he was to be prosecuted for watering milk, said, "I sell pure milk at forty cents to those who want it and milk and water to those who say twenty-five cents is enough. Surely your Board—whatever it is—can't prevent me from selling people what they want."

Now and then prompt acceptance of suggestions proved somewhat inconvenient, as in one instance in North Louisiana. I criticised adversely a rickety, insanitary old building in the back yard of a shop. The maiden lady who lived there informed me it was not her fault, that she had asked the landlord many times to remove the undesirable house. She suggested I go to see him, which I did. Imagine my surprise when the old gentleman gathered up a hammer and two axes and said, "Come on and help, Doctor, and we'll tear it down for the old lady right now." He got a little more than he bargained for, as I insisted on making a good job of it.

The same day the landlady of a country hotel added one to my list of new experiences. I had telegraphed ahead for dinner. The menu consisted of fat bacon, corn bread, biscuit, potatoes, coffee and milk. After twenty miles of driving a speeder up-grade, the homely bill of fare looked very tempting. While I was enjoying the meal one of the men at the table asked, "Aren't you the health man?" I gave an evasive reply, whereupon another spoke up, saying, "Yas, I know he's the one, I hearn him speak up the country last night. He sure gave it to 'em hot, too." The idea of a health officer in her home was too much for the poor landlady. She sank into a chair saying, "I am blind and weak; if some one don't help me I'll faint."

Many of the people engaged in business in the smaller towns had never heard of food regulations and sanitary rules, but they did not resent criticism. Much more difficult to deal with is a class who think to find fault is a sign of intelligence.

One of this type, a prominent business man while aboard a fast passenger train, abruptly accosted me with the request that I inspect the coaches, adding, "No decent man could afford to travel in such

cars." Two weeks later I happened to be in his home town and by dint of strategy succeeded in visiting the back yard of his residence. Conditions fully justified my reminding him that railroad officials have difficulty in keeping clean coaches and stations largely because of the low sanitary ideals of people with premises like his. He answered, "This is a private affair; when I pay money to ride on a train it should be clean."

I was amused at the ideal of cleanliness of a lady who had recently visited Eastern cities. Expressing her approval of a very severe criticism of her town, she concluded with the remark, "But, Doctor, this town is clean compared with New York." Clearly a question of prejudice, or having seen only the East Side.

An official of a large corporation took me to task on the train one day for the compulsory vaccination law, declaring he had neither faith nor confidence in the practice. At the next station two men came in. They took seats next to ours. One, recognizing me, asked if I had anything that would relieve him, as he was suffering excruciating pain. A brief inspection convinced me that both men had smallpox. Returning to my seat I looked at my companion and said, "Smallpox." The gentleman seemed uneasy, but declared he had no fear. However, I noticed he remembered an important business engagement at the next station, though his ticket read to one a hundred miles up the road. It transpired that this scoffer at vaccination rushed to a physician with the request, more forcible than eloquent, "For God's sake, doctor, vaccinate me quick."

There is another large class whose faces are turned to the past. They remind me of the dear old absent-minded professor who was always telling the young fellows of "the good old time." One evening a mischievous wag said, "Professor, look at the sky—did you ever see it more beautiful?—and the moon?" With a deep sigh the old gentleman interrupted, "The moon, my boy, the moon, you should have seen it before the war."

These incidents serve to illustrate types. But they are the few. By far the larger number are willing, even eager, to learn anything that will better their condition.

In any educational movement positive results are in some respects intangible. Often the intangible are the most valuable. More especially is this true when the effort is to bring about a change in the traditional habits of thought and manner of life of a people. Perhaps no phase of social reform moves so slowly.

As yet our health effort is in the initial stage, and we have been

too busy to gather facts for deduction. Many letters are on file telling of local activities and the newspapers chronicle daily improvements in communities throughout the State. A few excerpts from these sources will serve as suggestions of our progress.

Last spring recommendations were made that many of the jails should be repaired. Without exception these suggestions were carried out. A letter received November 8th contains the following: "The Police Jury in session yesterday gave us orders to plan a new jail to replace the old one. If there are any special features you desire to call to our attention we would thank you for the same." This is the attitude of the parish law-makers and architects throughout the State.

November 22d the Council of Covington, a place of about twenty-five hundred inhabitants, passed a resolution for a special election to vote a tax of sixty-five thousand dollars for the building of a municipal system of waterworks. At the same meeting a two-mill tax for ten years was levied to complete the school building which will cost twenty-five thousand dollars. Recently in North Louisiana a town of five thousand voted a tax which will net sixty-five thousand dollars to be used in the erection of a new schoolhouse. The old building was condemned on our inspection tour in November, 1910.

A general manager in a mill town has inaugurated an effective system of garbage collection and disposal, and supervision of sanatoria. Another installed sanitary closets at the cost of the company. These two examples are representative of many similar improvements.

A criticism of a spring and reservoir induced the council of a small town to buy a large tract of land in order to safeguard the public water supply.

The superintendent of one of the trunk lines of railroad in reply to an adverse criticism of one of the hotels says, "We had ordered it cleaned and we shall dismiss the manager for failure to obey. We thank you for the information."

In every instance superintendents of corporations and railroad officials were helpful. Recommendations for the cleaning of stations and railroad yards and the repairing or rebuilding of sanatoria were promptly carried out.

The attack on insanitary dairies was one of the main features of the health campaign, and the results are most encouraging. Since July 1, 1911, six hundred and fifty-two dairies have been registered. This department continues to prosecute actively the work of in-

struction of dairymen by means of literature and visits of officers, and by influencing local authorities to demand improved conditions. One of the features of the work most helpful in the education of the people is inspection and tagging of milk cans at railroad stations. These containers if unclean bear the sign.

Local efforts to "clean up" in advance of the arrival of the train were almost universal. A typical dispatch to a daily paper reads, "When the Health Train reaches — Sunday its occupants will see a spotless town, at least such will be the case if the combined efforts of the City Council and Progressive Union can bring about that result." The hoe and shovel, trash wagon and whitewash brush were everywhere in evidence to the amusement of many. Perhaps, it seemed, often, that due credit was not given for these preparatory efforts, as one editor writes, "Those towns not yet visited by the health experts of the State Board of Health train are hereby warned that they will get everything that is coming to them and something more." And again in a local paper, the editor says, "The more we people of — read and think of Dr. Dowling's scathing report of unhygienic and insanitary conditions existing in and around the town the madder we become, and if this thing keeps on we are likely to get mad enough to clean up."

But even when the town "had not one hygienic leg left to stand on," commendation of the campaign was universal.

The publicity given to the various activities of the department is one of the gratifying results of the work of the train. Requests are received daily for information, literature, and lecturers; for copies of the Revised Code and inspection score cards of dairies, drug stores, hotels, miscellaneous food industries, and the monthly and quarterly bulletins. The arguments advanced for vital statistics have produced good results, and this division has made progress in gathering reports; the same is true of the Child-welfare division.

The abolition of the public drinking-cup and roller-towel, and the stringent rules for control of barber shops have met with general acceptance and commendation, largely through the work of the train.

The "hygienic school on wheels" was an experiment. It proved worth while. Had the State paid for transportation, and, in addition, many times the amount expended for salaries and incidental expenses, it would have been a paying investment.

From this educational effort there has resulted improvement in the care of all classes of public buildings; the appointment of health

boards and officers, where heretofore there were none; a sense of responsibility for pure milk, unadulterated food stuffs, pure water and improved sanitary conveniences, not felt before; a greater appreciation on the part of teachers of the value of practical lessons in hygiene, and an effort through volunteer organizations to remedy defects of environment.

These effects and the direction in which they are tending are hopeful signs of an awakened public health conscience.

This aggressive campaign for the elimination of conditions prejudicial to physical vigor and longevity has been inaugurated in Louisiana because it is necessary there as elsewhere. Our natural advantages are excellent and our artificial conditions no worse, no better, than in many other sections of the United States.

The climate is ideal, for one can live and work out of door every day in the year. It is conducive to longevity because free from extremes. Carefully kept records of eight years past show that ninety-eight degrees has been the highest recorded temperature at New Orleans.

Natural drainage is good, excepting, of course, in the swamp districts, but large areas of these are now in process of reclamation.

Endemic diseases, yellow fever and malaria, are controllable. This was proved of yellow fever in the epidemic of 1905. The malarial records of New Orleans and Shreveport are as convincing as to its control. The average number of deaths from malaria in New Orleans from 1880 to 1885 was three hundred and ninety-four and five-tenths with a population of two hundred and thirty-four thousand; from 1905 to 1910 the number was forty-six and six-tenths, population three hundred and sixty-two thousand; in 1910 with a population of three hundred and seventy-three thousand the number was thirty-two.

The Shreveport record is as follows: 1905-1910, average number of deaths one hundred and seventy; population thirty thousand; 1910, forty-five, which includes the non-residents treated at the Charity Hospital; population thirty thousand.

The mortality rate of eleven towns situated in the four sections of the state, together with the statistics of New Orleans and Shreveport, gives proof of the healthfulness of conditions. For June, July, August and September, 1911, the months when children's diseases are at a maximum and intestinal troubles prevalent, the annual death rate per thousand is only fourteen and two-tenths. For the year 1911 to November first it is fourteen and five-tenths. November

fifteenth I received an interesting proof of the longevity of our people. At my request a friend made from the official register of Webster, one of the sparsely settled parishes of north Louisiana, a list of residents between the ages of sixty and ninety-six years. There are one hundred and eighty-eight. In commenting on this the editor of the American Press of Lake Charles, which is situated in south Louisiana, said, "In order for a man to die in Calcasieu he must call another a liar or move out."

At former meetings eminent speakers, among them Dr. Eugene Porter, the late lamented Dr. Wyman, and Professor Irving Fisher, the distinguished Professor of Economy at Yale, at your invitation presented plans for the participation in general health work of the companies represented in this great National Association. These gentlemen embodied admirably and adequately in practical programs the larger phases of constructive thought.

I feel I can not add to the arguments presented nor to the plans suggested. But having had twelve months' experience in the effort to awaken the popular mind, I wish to discuss in a general way this one feature of the work.

The gentlemen who addressed you and all other students of the subject concur in the statement that there are three essential elements in the situation—expert direction, which implies scientific knowledge, an educated and enlightened public and adequate health laws.

Dr. Porter's final word is "educate—educate—and again educate." This phase seems to me of supreme importance. An awakened public would demand skilled service, adequate legislation, and enforcement of the law.

The science of sanitation is a practical science; the weapons to fight the age-long foe disease are at hand; the effects of ignorance of fundamental truths of health are disastrous to the permanence of the nation; the known facts of preventive medicine, utilized, would prolong the term of life many years.

On the other hand, there is the inertia of society due to tradition, habits, custom, selfishness and lack of civic responsibility. The unconscious philosophy of the masses is "We have always had disease and death. They are inevitable. Why worry?" This is simply ignorance.

It follows with logic that brooks no denial, that there is one course only open for all intelligent citizens, especially men of science, and that is to engage in warfare, continued and aggressive against this

attitude of the public mind. Those who have the "vision" must teach those who have it not.

Reforms move no faster than public opinion and human nature, the same to-day as yesterday, are accepted popular axioms. Even so, the public is open to conviction if truth vital to welfare is rightly presented. And if the principles of human nature obtain through the ages, methods are different. Heretofore, reforms have been carried on by volunteer agencies or unorganized philanthropy. If educating the people in the fundamentals of health is made a business and managed scientifically as other great enterprises are the results will be equally satisfactory.

In the present pictorial stage of our transition, the most popular method of presenting instruction is through the eye. This is why the exhibit train with the photoplay equipment proves interesting. In addition there should be automobiles, wagonettes, and boats with similar equipment for the districts remote from the railroads. Permanent exhibits in schools with the frequent use of the motion picture are indispensable. The effect cannot be over-estimated. Pictorial presentation of facts leaves a definite and lasting impression. The good to be accomplished through this method in sections remote from centers where amusements are few and life sordid is incalculable.

Leaflets and pamphlets rank second. They should be written in a popular style and have many illustrations.

To attack the evils that obtain most widely, yet not neglect local conditions is desirable. Nothing is more convincing to a community than the remedy of some local sanitary defect.

A fund to be expended for a single needed improvement, for example, five hundred dollars given for a deep well, would prove an impetus to the voting of taxes for other necessary conveniences. One model town in a state would create interest and stimulate others to improve.

Educational methods should include inspection. From the visits to places of business and from confidences received from owners the health officer gains invaluable knowledge of the true inwardness of the situation. The publication of reports of inspection, especially if given at public meetings with recommendations are in themselves an education in practical hygiene.

The economic phase of sanitary work awakens ready response. Dollars and cents saved, or earning power increased through bodily vigor is the argument that appeals to all.

It would be economy of time and money and effort to have the main features of an educational campaign such as this placed on an inter-state basis. One exhibit train carrying an efficient force with one advance agent would be found adequate and there would be a great saving of time in the office force necessary for the direction of the work.

I need not speak in detail of the economy in the compiling, printing, and distribution of large quantities of literature.

As local pride is stimulated in the community units of a state, so state pride would be aroused in the interstate campaign.

I am convinced that an effort of this character would overthrow the conventionalized tradition that people are slow to change habits, opinions, and ideals. Comfort, pleasure, happiness, and increased income would be the rewards for acceptance of the principles.

For this health enterprise to succeed, there should be a capable, scientific-minded leader, sufficient funds for equipment and the employment of trained workers, and freedom from political obligations.

Public health as a movement is the most vital of all sociological activities. The problems of preventive medicine resolve themselves into sociologic questions. It is clear that in its practical application, medicine inevitably must become almost wholly a problem of prevention. This implies a change of mode of living, habits of thought and attitude of mind of the greater part of society. It means to go into the depths of the social structure and build anew the foundation. Even the optimist may grow faint in spirit in the contemplation of the magnitude of the task of sanitary regeneration. The one element of housing is tremendous. But in this as in no other line of activity, results worth while may be counted immediate and far-reaching.

We may know that the end—perfection—is never to be obtained, but we also know that each forward step means illimitable advance in human happiness and human achievements. It is believed by many that bodily perfection of the individual is the panacea for all civic crimes; that modern medical science holds the key to the New Civilization.

We are familiar with studies of how to conserve the water-powers, the forests and the mines of our country; how to reclaim swamp lands and deserts; how greater economies can be made to enter into all systems of business.

Important as these reforms are they are of small moment compared with the conservation of health. We think with horror of the sanitary sins of the Middle Ages, of the conditions of London, Paris,

and other centers as late as 1800, of the widespread prevalence of filth diseases even in the early nineteenth century. Yet, as a nation we have neglected the greatest of all the world's productions—man.

Fifty years from to-day, to recall the prediction of Professor Patten, "Our children's children will learn with amazement of how we thought it a natural social phenomenon that men should die in their primes;" "that there should be lack of fresh air and sunshine in the homes of millions;" "that epidemic should sweep away multitudes." They will be filled with wonder at a social order where the sadness of the fate of the majority of the individuals did not absorb our interest instead of the transient and immaterial ends sought for. But happily, the dawn of a better day is at hand. National ideals are shifting. The value of "surplus energy" and efficiency which are the concomitants of health is beginning to be understood.

Progressive civilization demands not only of the individual but of great organized bodies, corporations and philanthropic units that they have a larger perspective and assume new responsibilities. The growing interest in the human element demands that all intelligent members of society help to send our civilization "swinging down the grooves of change" enlightened, stronger, finer.

As I see it, an organization of life insurance companies would be ideally fitted for the work of general sanitary regeneration. One hundred thousand intelligent men are available for the teaching of the principles of hygiene; the economic feature of such an effort is assured; and the beneficent element, always fundamental in your work, would be emphasized. I believe that co-operation and co-ordination of the companies in a properly directed, scientific effort to control disease and raise sanitary standards would contribute more to the inauguration of the philosophy and measures of prevention than any other available agency. The movement would be the greatest and most effective ever inaugurated for the elimination of sanitary evils, civic crimes, and for the lengthening of the span of human life.

Gentlemen, before taking my seat I want to call your attention to the fact that the second trip of the health train will start over the State of Louisiana on the morning of the 26th of February. We invite you individually and collectively to come to Louisiana and see the workings of this train during its progress. We would be glad to have you come to Louisiana where the people drink coffee eight times a day, the home of the orange blossom and the mocking bird, where every prospect pleases and men do not decay.

The other day on the Southern Pacific Railroad one of the super-

intendents told me of a doctor who had said he had no faith nor confidence in the work of the Health Board, and had no confidence in the germ theory. A few days after that one of this doctor's patients died. Before this patient died the minister called on him and he was assured he had made peace with God and would go straight to Heaven. After his death the superintendent met the doctor and said, "By the way, my friend, when your patient got to heaven the other day and he rapped for admission St. Peter came to the gates and said, 'Who comes here and what do you want?' He said he wanted to be admitted to Heaven and given a seat on the pearly throne, that the minister in his place had said he would be admitted immediately on application. St. Peter said, 'Have you a certificate with you?' This he did not have. St. Peter went and looked over the records, turned and said, 'We cannot find your name and we can't admit you.' He said, 'Go and look once more. This man has never deceived me. I know the certificate is here and I am entitled to admission.' Peter looked the second time and the third time, and on the last leaf of the book he found his name. He turned and said, 'Yes, we find your name on the list, but we were not expecting you for twenty years. Who was your doctor?'" (Laughter.)

THE CHAIRMAN: Gentlemen, the next speaker from whom it will be our pleasure to hear is one who, trained as a physician, is an author of wide note, and who of late years has given much time and thought to measures designed for the public welfare in its highest sense; a leader in the important movements of establishing playgrounds for the young and of medically inspecting school children to stay the spread of contagious diseases. He is also the Director of the Department of Child Hygiene of the Russell Sage Foundation.

Gentlemen, I present to you Dr. Luther H. Gulick.

THE SOCIAL ENGINEER IN THE FIELD OF PUBLIC HEALTH

Dr. Gulick spoke as follows:

Mr. President and Gentlemen—We have assumed that the promotion of public health was a medical matter. The promotion of public health involves medical knowledge, but it is a social matter. In order to promote public health in America we need better work done by

existing boards of health rather than more law on the subject. We need better support in public opinion and finance for existing organizations rather than more organizations. We are burdened with national organizations of all kinds; they cross and overlap in every direction, but in the main accomplish but a small part of what they aim to do and should do. When existing organizations function properly, at least nine-tenths of the practical problem of public health will be solved. We need efficiency in this public health matter more than we need added knowledge. The one—what to do—is a medical matter; the other—how to get it done—is a social matter; a problem for the social engineer. This work is no more to be accomplished by chance than is the work of any other engineer. Because a man is conversant with medicine is no evidence or qualification that he can make such knowledge effective in a social machine. The science of promotion is a branch of applied sociology. Medicine is a branch of applied physiology.

We do need our Rockefeller and Wistar Institutes, the research laboratories of our great medical schools and our Carnegie Institute Laboratory, the research divisions of various Federal departments, our endowments for the study of cancer, diseases of old age, tuberculosis, tropical medicine, etc., etc.; but these institutions are predominantly for the solving of *medical* problems. As yet we lack social institutions that will adequately apply this knowledge to human needs. The great and immediate need, the need which is not met nor specifically sought by existing agencies, is to bring this knowledge into effective action. Our equipment for securing facts is more adequate than is that for securing action.

I was talking recently with a director of one of the largest—I think the largest—institutions in the world engaged in the problem of advancing human knowledge. I was asking him particularly as to what steps were taken by his organization to bring that knowledge to bear upon human life in such a way that the truth would become embodied in the tissue of social consciousness. He replied that that was not the function of that institution. I asked specifically, picking up a certain book, a study conducted at great expense, a splendid piece of work, which purported to show, and I believe did show, how water transportation could be more efficiently carried on. I said, "How many copies have been sold?" and he said, "Seven copies." This book, which contained information which might affect favorably the lessening of human labor in the great transportation lines of the world, at present largely exists as black marks on white paper filed

away on library shelves. This knowledge, to which the world has a right, somehow has not been put into the world's digestive system; it is stowed away. It seems to me a tragedy. I have taken this book merely as an illustration of a general habit of scientific men with reference to this group of topics. Let me, however, take up these points seriatim.

It has been proposed that you conduct re-examinations of your policyholders. Excellent, but inadequate because your policyholders live in a tissue of society, and to help their individual health is not primarily related to the problem of public health. To get pure water for the city is not to be accomplished by re-examining your policyholders in the endeavor to prolong their lives. It is another kind of thing. To exclude the sources of contagion from a community and get the hours of labor within reasonable limits, are other matters of public health. Such changes are not to be accomplished by educating the individual as to his own health.

Public opinion is not the sum total of individual opinion, because public opinion is a mutually conscious opinion. Ten per cent of a community thinking alike on some topic, each one knowing that the rest are thinking alike on that topic, will create a public opinion that is powerful, much more powerful than usually obtains in any community on any subject, because ten per cent of any community is a large percentage to think about any one thing.

It is obvious that your Association could not and should not go into the business of promoting "health trains." It is not your function. I have no doubt with reference to the utility of the health train, but to undertake that would be to duplicate the work of the boards of health. It would be indefinitely better if in some way these matters could be so brought to the attention of other State authorities that they would conduct health trains. To get this before other State authorities is not merely a matter of general agitation through the daily press, of getting the attention of as many individuals in American society as possible, because the *social organism is not the sum of the individuals* constituting that organism. There are social nerve centers, if you please; there are groups of persons, there are social institutions who, having information and convictions, will then act for the whole group.

I can illustrate best perhaps by our propaganda with reference to playgrounds. Six or seven years ago there were very few cities in America having children's playgrounds. It seemed to us important that children, particularly in the congested districts, should have

places where they could breathe; that the city should have not only public parks and breathing places, but parks that would function with the children, where the children would get a chance to play as we played when we were children; and we came to see it was not a question of space, but it was a question of social custom, and that it was just as hard for the children in the rural districts to get to playing together as for children in the slums of the city.

The Sage Foundation and the Playground Association of America have together undertaken the matter and have been criticised because they did not establish and maintain playgrounds. Within a month one of the most distinguished citizens of this part of New York said to me that he regarded it as a most serious matter that the money that was given for playgrounds was not expended upon playgrounds, and the fact that I was able to show him that for every dollar that had been expended for playgrounds in the way proposed, by promotion, more than \$100 had actually been expended by some municipal authority in some American city for playgrounds, did not seem to him an adequate answer.

The promotion of playgrounds was conducted by establishing a central organization for the securing and dissemination of information. They got into relation with a majority of all the women's clubs of America; a large fraction of these organized committees; to those committees was furnished data; they were corresponded with individually; they were told what other cities were doing, how they did it, what it cost, what the effects were, how many children used the playgrounds, what kind of equipment should go into them; how to begin tentatively. The women in the women's clubs, acting through their committees, visited their own cities, found out what the children were doing and what they needed. They secured enough money, generally by private subscription, to establish playgrounds for a year or two, and it was demonstrated to be a success, and then they went to their municipal governments. Now there are 529 cities in America maintaining public playgrounds, employing directors, superintendents and teachers for playgrounds on the same basis that public schools are supported.

Now, I submit, gentlemen, that that is far better than having playgrounds conducted by any private philanthropy, even if private philanthropy had the power to do it, for what is done by the State is established in the very structure of society; what is done by philanthropy is often temporary and ephemeral. Philanthropy may show

the way, but it must not permanently do the work. That belongs to us as a government.

Another illustration. Seventeen years ago there was one city that had medical inspection for its schools. We took hold of the matter about five years ago; there were then less than one hundred. I think it was thirty-seven. There are now four hundred and eleven American cities conducting medical inspection of schools.

The Sage Foundation might have employed doctors and put them into a few schools, but that would have been foolish, compared to getting together the evidence on the subject, putting that evidence in form to be understood by the man on the street, getting that evidence to boards of aldermen, to boards of health and superintendents of schools and boards of education.

And so with reference to the Safe and Sane Fourth. I had watched for many years the statistics published by the journal of the American Medical Association and the Chicago Record-Herald, showing the number of casualties on our Fourth of July, and it is dreadful, but nobody did anything effective about it, because it was a negative matter. So we went to work to find out if there was anything else to do with the Fourth of July, and we found it could be used as a conveyance to bring to the public consciousness the fact of human freedom, not merely American freedom, but human freedom. The city of Springfield, Mass., led in the matter. They organized a committee; the Mayor was back of it, the Common Council was back of it; the children of the schools were trained in the meaning and the significance of the day, and to take part in the celebration. Every nationality of any size in Springfield had a float in the great parade. The Chinese had a float. It was the first thing the Chinese of that city had ever done to express citizenship. The Greeks had a float that represented one of the contributions of the Greeks to the spirit of freedom. There was a group of Englishmen who, just think of it, appeared in the Fourth of July celebration. Their float showed the signing of the Magna Charta, an English contribution, and a splendid contribution, to liberty.

The use of fireworks has been prohibited in a good many places, and a better thing, and a thing which interests and influences boys and girls more has been put in its place.

Last year I was in the city of Chicago on the Fourth of July, and watched that great parade in which the people took part, remembering and glorifying the countries from which they came, but coming in together under the American flag. There was not an adult killed

in that city that day, and it had a better time than it ever had had before.

The number of casualties has been cut down to less than half in two years, and the day is being saved to patriotism. The representatives of one great city told me that they had no Fourth of July casualties. I said, "What do you do about it?" They said, "We have simply abolished the celebration of the Fourth of July." I said, "Do you feel proud of that?" and they said, "Yes." I said that it seemed to me that it was rather an occasion for shame and humiliation.

To apply what I have said, it seems to me that it would not be difficult or relatively expensive to back up existing health agencies, to correlate and coordinate private health societies and agencies so that they would pull together; to pick out specific campaigns that needed to be conducted and hold others in check. There are certain principles back of this. I believe it is as truly a science as is physics. We must use existing agencies for reaching the desired constituents, newspapers, magazines, books, clubs, schools, exhibits, congresses, medical societies, national organizations, legislatures, and so on and so on, rather than creating new magazines, societies, or other new channels. Every national organization with which I have been deeply connected, and there are several, have wanted at first to start a magazine; but if the information is live and important, it will go in magazines having 100,000 or 500,000 circulation, and no national organization can compete with that.

Knowledge is to be promoted, but the spread of knowledge with the same earnestness and practical insight as that given to selling insurance, bonds, real estate, soap, or anything else.

Another thing, promote subjects only when they are ripe. We had to wait ten years for the right time to come for playgrounds propaganda. If we had started earlier, we would have only burned over the ground of public opinion and it would have dropped out of sight, but we waited until the thing could be pushed through to a big success. The public cannot be interested in many subjects at once. It is important to get the subject to the center of the stage. It is necessary at least to get it on the stage of public opinion somewhere, and to push it aggressively when it is at the flood. It is not possible for one subject to retain public attention for long, because every crank and novice wants his subject pushed all the time. That is bad policy. It keeps the thing that is good, that can be done, out of sight.

Three years ago the campaign against tuberculosis was at the flood, and such organizations as ours put in a great deal of time and money, not in the establishment of sanitariums, good as that might have been, but into *the making of that public opinion and that public action that creates sanitariums*. By an expenditure of \$50,000 in New York State we traced definitely an expenditure of a good many million dollars throughout the State for the prevention and cure of tuberculosis, but more important than that was the *arousing of an intelligent public opinion on the subject*.

Decide what the question is that is to be pushed; bring it to the attention of societies and people, of the people individually; give them inside facts and bring them together sometimes in the right places. That is conducting a campaign of extension of knowledge, social knowledge, rather than a campaign for the promotion of health of individuals directly.

We are not in a Jeffersonian democracy. We individuals nominally run the United States, but we really do not, because we individuals aggregate ourselves into political groups, into corporations, into cities. The cities do not vote; corporations do not vote. The clique that I belong to as a clique does not vote, but it does what is more important than voting, because it is closer to the thing we call public opinion and governs public opinion. Public opinion is not usually secured by appealing to individuals.

If this campaign should direct itself to giving powder and shot to agencies already existing, we could extend the registration area, and make the immense machinery involved function adequately. Then the need of more law would be insignificant and the law would come readily and the facts would be adequate for carrying on a campaign. That is the teaching of the specific enterprises which have been undertaken by the Sage Foundation in this particular direction.

I appreciate, Gentlemen, very greatly the opportunity that you have given me of speaking of this very small fraction of the problem of public health.

MR. COX: Gentlemen, I wish to announce a slight variation from our printed program. It is now ten minutes before one, and as it will be impossible to get back by two o'clock, we will postpone the afternoon session until 2:30. Remember that you are all to take part in the discussion scheduled for this afternoon and that it is to be very informal. We hope in that discussion to make it apparent how we are related to the great conservation movement and in

what way the doctrine of efficiency can be made applicable to the business of life insurance.

Among the distinguished gentlemen who were invited to address us on this occasion was the Right Honorable James Bryce. At one time we had his tentative acceptance, he thinking he would be able to be here, and being most happy to come if his engagements would permit. We had to leave his name off our program finally, much to our regret, but he has been good enough to remember us on this occasion with a letter, which has just come to my hands, and which I will now read.

"MY DEAR SIR:

"It has turned out as I feared it would, that I cannot at this time escape from my duties here to come to New York, and therefore cannot have the pleasure of addressing your association. Please convey to them my sincere regret that it has been impossible for me to accept the invitation with which they honored me.

"I am,

"Yours very truly,

"JAMES BRYCE."

THE CHAIRMAN: I just want to add one word. I think all of us who will be here this afternoon will end the day by saying we have had a most enjoyable and profitable time. I want especially to urge you to be here at this afternoon's meeting. The laboring oar is to be taken and the keynote is to be sounded by our estimable friend, Judge Day, of the Equitable Life, followed by ten minute discussions by able and alert men. Now if you make any mistake as to the hour, come at 2:25 instead of 2:35.

On motion adjourned to 2:30 P. M.

CONFERENCE ON APPLICATION OF THE PRINCIPLES
OF CONSERVATION TO THE BUSINESS OF
LIFE INSURANCE

SECOND DAY

AFTERNOON SESSION

Thursday, December 14th

MR. JOHN R. HEGEMAN IN THE CHAIR

THE CHAIRMAN: You all know this is a conference this afternoon on the application of the principles of conservation to the business of life insurance. Mr. Cox has very wisely added this, which very cogently covers the whole story: "It is contemplated that under this heading there shall be opportunity for those in attendance to bring up for discussion any question concerning the welfare of policyholders, particularly those things which add to the cost of life insurance and which, if they could be eliminated, would lead ultimately to reduction in premium rates. To the end that there may be diversified consideration of the different topics, ten minutes only will be allowed to each speaker under the head of General Discussion."

Ever since the present chief executive of the Equitable Life assumed that high office he has given much attention to matters designed for the improvement of the business, especially along the lines of unnecessary expense and preventable loss. He established a special department whose design is the "conservation of life insurance," using that word in its newer and broader significance. The study he has thus given to certain phases of our work gives distinct value to his judgment on the theme under discussion.

With much pleasure I desire to present to the convention Judge Day, President of the Equitable Life Assurance Society (applause).

THE CONSERVATION OF LIFE INSURANCE

Mr. Day spoke as follows:

Mr. Chairman and Gentlemen: A week or so ago this Associa-

tion, through its Manager, came to see me and asked me to read a paper before this convention. I stated to Mr. Cox that it was a practical impossibility for me to conform to the request of the Association because the responsibilities and the duties of the post that I hold in the Equitable are such as to absorb not only all of my time but my strength. Mr. Cox is a man, however, as those of you who know him recognize, who is not easily turned aside when he has set his mind upon an object. I had another reason why I felt that I ought not to come here to-day and address the members of this Association and their guests because I felt, and I think some of the members of the Association feel, that in the life insurance work I am a tyro. I know it myself. My experience in this work does not equal seven years. A little more than six years and a half ago I began the study of life insurance and its practical application to everyday life. I only knew it vaguely and most generally prior to that, but I finally acquiesced to Mr. Cox's request, and as he kindly selected the subject upon which I was to write a paper, I shall proceed to submit it to you. The subject that he selected for me is the Conservation of Life Insurance.

The interest taken during recent years by the public in all questions relating to the conservation of our material resources is, in the first place, an acknowledgment that we have been a wasteful nation; and indicates, in the second place, that as a people we are beginning to see the wisdom of attempting to check this extravagance and waste. And now that our people are taking an interest in the conservation of our material resources, I believe they can be interested in the conservation of life insurance, which is universally recognized as an economic resource of highest value. There is no department in which better work can be done in the direction of conservation than in the life insurance field.

In European countries the people are slow to insure, but when once insured they hold fast to their policies. In America the people take insurance lightly and give it up lightly.

Heretofore policyholders generally have been indifferent and habitually apathetic upon the subject of insurance after taking their contracts; but if I read the signs of the times aright, they can now be more actively interested in this subject, if all the representative companies will unite in inaugurating a campaign of education.

"The conservation of life insurance" is a convenient phrase to describe the various activities of life insurance companies for the purpose of increasing their savings, in order that the cost of life

insurance to those who avail themselves of its protection may be reduced.

Those who are charged with the responsibility of conducting the affairs of individual companies must decide upon the measures to be taken to decrease and minimize waste. But in certain directions policyholders can do more than the companies themselves. And if the companies will unite in explaining to the public how this can be done, far more can be accomplished than if only here and there an individual company should undertake the work alone. Hence, I trust the representative companies of this country will unite in a campaign of education, whose object shall be to convince their policyholders that if life insurance is worth taking, it is worth keeping; that lapse means waste; that the premature surrender of a policy means sacrifice and that no life insurance contract fully performs its beneficent mission unless maintained in its integrity until final maturity.

The average policyholder, while rightfully demanding the highest degree of efficiency and economy in the management of his own company, seems to feel that his duty and responsibility end with the payment of his premium. Satisfied with the soundness of his company, he puts his policy away, and the subject of life insurance drops from his mind.

As a result of this indifference, and lack of personal attachment and loyalty to their companies, the policyholders themselves are directly responsible for a large proportion of a waste which aggregates easily \$100,000,000 annually. This loss comes from needless borrowing of reserves, unnecessary lapsing, unreasonable taxes and excessive loss of life due to reasonably preventable or postponable causes.

Life insurance itself is perhaps the most successful and stupendous scheme of conservation known to civilization. It strengthens the body economic and lessens the danger of damage and loss in times of stress and strain, both individual and general. It protects against the evil day that inexorable fate brings to individuals and nations alike. The American people have provided themselves with \$16,000,000,000 of legal reserve life insurance—not voluntarily, not because they have asked or demanded it, but because of the earnest, intelligent and persistent urgings and appeals of the life insurance men of our country.

The master minds that conceived and worked out this great scheme of family and home protection, and their associates who

have struggled at the headquarters of the companies and in the field to convince the people of its merits, never dreamed, I assume, even in their most enthusiastic moments that public confidence would be won to the extent of this \$16,000,000,000 of insurance which now protects our people. And few people even now appreciate the extraordinary faith of the American people in life insurance.

If, by energy, persistence, and honorable dealing, the insurance companies have been enabled to establish this public confidence, now that life insurance has grown to be such a tremendously important factor in our national life, why may we not hope, by an intelligent and persistent educational campaign, to develop a more active and stronger life insurance spirit among our policyholders and the public?

There is a logical reason for this confidence. The public needed absolutely safe and scientifically sound life insurance protection. They got it. Its stability and certainty cannot be questioned. They were entitled to every possible option and privilege permitted by the premium. They got them. They were entitled to prompt and efficient service. They got that.

In short, they were entitled to every advantage of contract that could reasonably be given, to every right that belonged to them, and to have their institutions ably and honestly managed—they have gotten all these things. And these are some of the reasons why their faith is so firm in the stability and value of life insurance, and this accounts to some extent for their attitude of satisfied indifference toward their companies.

But some of these privileges have been misused, and have operated to encourage practices that result in enormous waste to the insuring public. It is to discourage these practices, and the indifference to which I have referred, that a new, concerted and vigorous "conservation" movement seems to me to be expedient at this time.

If we can excite the policyholder's interest in the value of "conservation," and the evils of extravagance and waste, and keep his interest alive by a continuous educational campaign, why should we not be able to rouse him, and impress him sufficiently to minimize evils which he alone has the power to correct?

There are many things that a policyholder should know which he does not know, because they have never been brought to his attention and impressed upon his mind.

We want policyholders to know that the bulk of all savings of

their companies go back to them, and that this differentiates life companies from ordinary commercial enterprises.

We want them to know that the great institution of life insurance is theirs; that it is built up with their money and belongs to them, and that it is their duty to take a keen interest in the success of their companies.

We want them to keep informed of the condition and progress of their companies that they may be in a position to commend them when opportunity offers and to defend them when unjustly attacked.

We want them to know of the waste that results from the abuse of the policy-loan privilege—that by borrowing \$435,000,000 on their policies they have reduced their families' protection and neutralized the very purpose of their insurance to that extent, and that they are spending nearly \$23,000,000 annually for the use of this money.

We want them to know that through the unfortunate and extravagant habit of lightly or needlessly lapsing their contracts, hundreds of millions of dollars in insurance protection are lost every year.

We want them to know of the evils of "twisting," and that it is impossible to drop a policy, even if a new one is taken in its place, without great sacrifice.

We want them to know that they are paying over \$12,000,000 annually for taxes on their premiums—a most unjust penalty upon foresight and prudence, which should and can be reduced to a reasonable sum if they will interest themselves in the matter—and that it can be reduced in no other way.

We want them to know that it is to their direct personal interest to watch insurance legislation to the end that their burdens may not be increased by further taxation, and by the enactment of unwise and unjust laws which operate to increase the cost of management without any corresponding benefit.

We want them to know that \$50,000,000 is a reasonable estimate of the annual waste of their funds due to deaths from causes that are preventable or postponable by the application of ordinary and well-known precautions—and that they alone can reduce this waste.

We want them to know that the death rate has already been reduced by the spread and application of knowledge of right living and disease prevention—and that it can be still further reduced by the same process.

We want them to know how important it is that they shall give active and intelligent support to public health officials and wise health legislation, and that in view of the large premium taxes they pay, they are entitled to consideration at the hands of our law-makers in this direction.

We want them to know that it is wrong to class properly conducted life insurance institutions with ordinary speculative or profit-making commercial enterprises, and that life insurance is a great public-welfare institution meriting the same active and cordial support which they give to other great public institutions—social, political and religious.

We want them to know that the companies take a direct and personal interest in their welfare, and invite closer and more intimate relations and co-operation; that life insurance is an institution with a heart and a soul, successfully carrying out its mission of helping the people in their efforts to increase the sum total of human comfort and happiness.

There are many things that life insurance managers would like the people to know and appreciate. But they will never know them, or be impressed with their importance, unless we tell them. There is no one else to do it.

The gospel of "conservation" must be carried directly into the home of the policyholder, and it must be preached continually in order to make a lasting impression upon him.

Splendid work has already been done by The Association of Life Insurance Presidents in giving the public a better understanding of the true attitude and purpose of life companies. But it is possible that this and other organizations of life insurance men (such as the American Life Convention and Life Underwriters' Associations) may, by giving consideration to this subject, devise plans which will profitably supplement their present efforts of education and enlightenment.

So I bespeak on the part of the companies a united effort to the end that policyholders may have a wide and accurate knowledge of the means of conserving the protection they have provided for loved ones: an increased respect for that protection which will not permit it to be easily mortgaged or surrendered; a feeling of loyalty for one's company which will spur one to stand by it and for it in the ways herein indicated because the company and the cause deserve it; and last but not least, a fraternal spirit engendered by the broad and noble common motive which animates all policyholders in buying insurance and in maintaining it.

THE CHAIRMAN: Gentlemen, we have now come to a very interesting part of the afternoon's service under the title "General Discussion." As is stated on the program, so that it will not be new to you, "to the end that there may be diversified consideration of the different topics ten minutes only will be allowed to each speaker under the head General Discussion."

Do not let any man take offense when he sees this little, innocent piece of wood come down with that kind of a sound (rapping gavel on table). It is no mark of disrespect or anything of that sort, but it is simply the desire and intention on our part to do the greatest good to the greatest number in the least possible time. Besides, I should hate to-morrow to pick up the *New York Herald* and find that any number of gentlemen in this august gathering were arrested for exceeding the speech limit (laughter).

Now, don't let us waste any time, gentlemen. The man who has got the message, let him stand on his feet.

GENERAL DISCUSSION

J. R. CLARK, President, Union Central Life Insurance Company, Cincinnati, O.: Mr. Chairman, Mr. Cox asked me to speak on the subject of policy loans. I have a suspicion that one of the innocent policyholders is responsible for this invitation. He made application for a loan of the company, and in writing the application he evidently felt somewhat guilty that he was doing a thing he ought not to do, because he wound up by stating, "I hate to tap the till, but I have got to have this loan." (Laughter.) That went into my annual report on the subject of policy loans, and I am quite sure that the idea of tapping the till landed on Mr. Cox, and here I am to-day to speak for a moment on the subject of policy loans.

The policy loan from the standpoint of safe investment for the life insurance company issuing the policy, cannot be excelled. Is it possible that the company has accumulated this superb asset at the disadvantage of any of its members? As a conservator of insurance—paying current premiums, when other resources of the policyholder have failed, it is a good thing for the insured, the agent and the company. The ruthless use of loan value in speculation, legitimate business, or even in the payment of premiums, unnecessarily, is about the last step toward lapse, and a bad thing for all concerned.

The Insurance Departments' reports show that the twenty-four

leading companies have advanced in loans to policyholders, 5% of their statutory reserve in the year 1900, 8% in 1905, and 14% in 1910. The rapid increase in the rate at which the insured is anticipating the ultimate object of his insurance (which was not to realize on it in his lifetime), brings up the question as to whether life insurance is not taking upon itself new functions; and as a consequence, should not be re-classified. What is the proportion of policies that are now written, payable to the wife? What proportion of that number are now written without the privilege to change the beneficiary?

Is not this the evidence that insurance has been or is being withdrawn from that sacred and sentimental class of investments designed for the exclusive protection of the wife—the family, and that it has now become simply an item of assets, subject to liens and claims, or even the whims of the testator—for the beneficiary of a policy is like the beneficiary of a will, liable to be dropped out in the codicil. This position has been emphasized by statute—the tendency of law seems to put no obligation on the insured to repay the loan; indeed it makes it possible for him to never repay it. One company very ingenuously proved to a court, when the state was about to tax policy loans, that they were not loans at all, but in fact were an advance payment on account of the face of the policy. This position has been further emphasized by the status of the modern life insurance policy in the financial world. It is now accepted as collateral security for loans within the cash value.

If insurance now takes its place in the financial world, as any other valuable piece of paper, ought not the terms of the policy contract to be broadened rather than restricted to the use of the individual owner of same? For instance—the policy stipulates the only rate of interest which a company may charge for a loan with the policy as collateral. Let us see how it operates:

One.—It discriminates against the company in favor of the bank—for it gives to the bank a monopoly of all policy loans that it will take at a lower rate of interest than that recited in the policy contract. The company is helpless, as it cannot compete by quoting a lower rate.

Two.—It discriminates in favor of the borrowing policyholder, for it enables him to borrow at bank when money is plenty and interest rates are lower than the policy rate, and again when money commands higher rate than the policy rate, it requires the company to make the loan at the policy rate, thus depriving the non-borrow-

ing policyholders of the benefit of higher rates when the market warrants them, as well as entailing a loss of unemployed money, when the policyholders will not pay the policy rate.

Three.—It discriminates in favor of the borrowing policyholder residing in a high rate territory. I have known the policyholder to borrow at his policy rate, and loan the same money at the current rate in his home town, three per cent higher. True, the security is the same, whether located in New York or Texas—so is the security of a United States bond. Does security fix the rate of interest under all circumstances? Should the borrowing policyholder receive this benefit rather than all of the policyholders?

Four.—It discriminates in favor of the borrowing policyholder by destroying the principle of supply and demand, pledging to him a maximum loan upon his security, at a maximum fixed rate of interest, when he might not be able to secure a loan on any security or at any rate.

Now, the real object of a life insurance company, as we all know, is not to furnish cash loans to its patrons on demand. Is there not a real danger to the company, the agent and the insured, in the present policy loan system?

The possibility of a real *run* on a life insurance company has not yet been disastrously demonstrated, but the facility with which policy loans were obtained during the last panic, has drawn attention to them as a tangible means of help in time of trouble. Now you have only to add a breath of suspicion, to create real embarrassment through this medium. True, loans may be delayed by the contract, but that does not prevent applications piling up—it simply delays the run.

The remedy is very simple—put the policy loan on a strict commercial basis, commanding the best market terms possible. Let the first query when an application is presented be, "For what length of time do you want this money?" A loan in serial payments at one, two, three, four and five years would be a great advance step, and would benefit the company, the agent and the insured. Or, in other words, the policy loan should be treated as an obligation to be met, and if not paid at maturity, treated in every respect as any other collateral loan.

One other point, and I am through. The rapid increase in the rate at which reserve is being withdrawn, justifies the thought, that the duration of life policies may be shortened. Is it possible that

companies may be confronted with the question as to whether they are selling life contracts or three year term contracts?

The very practical question follows closely as to whether enough money can be made out of the first three years' premiums paid—bearing in mind the initial expense, renewal commissions paid, less the cash surrender value—to accumulate sufficient surplus to maintain a company safely.

Can the company afford to pay high commissions to agents, large dividends to policyholders, on the retiring policy—in justice to the continuing one?

In conclusion—it seems to me that the policy loan for any purpose, other than the payment of premiums, is a menace to the business, and ought to be discouraged.

MR. E. D. DUFFIELD, General Solicitor, Prudential Insurance Company, Newark, N. J.: Mr. Chairman and Gentlemen. Mr. Cox suggested to me that I might say a few words on the second topic which appears on the list, the "Injustice of Taxation."

I really cannot conceive that anything I can say in a ten-minute talk will give very much information along that line. I think I remarked yesterday, when we were discussing various questions of legislation, that I thought it would be easier to agree on what we did not want in the way of legislation than to agree on what we did want; and yet I guess that all those represented here would agree pretty substantially with the statement in the program and that the injustice of taxation is one to which they could give hearty assent.

The only reason that I can see why I should voice this sentiment, which is probably universal, is the fact that the company which I happen to represent has been having to "bump-the-bumps" lately in a way which does not come to most of you gentlemen, but it is a way of taxation which, if extended, may give you all an unpleasant—well, I won't say a half hour, for it has been more than a half hour for us, and that is, the extension of municipal taxation. The Prudential has been engaged for the last two or three years in a contest with the City of Newark over the question of municipal taxation on its surplus, and with the result that by a technical construction of the tax act the Prudential was obliged to pay nearly one million dollars last year in the way of municipal tax over and above the amount which it had seemed that we ought to pay. That tax was on our funds apportioned to deferred dividend policyholders.

It is not necessary that we should go into the real merits of that case further than to say that it seems to illustrate the necessity for a careful consideration of the construction or the wording of the tax laws, because that great sum was taken from the Prudential and given to the City of Newark purely on the meaning to be given to the term "liability on policies."

The act under which the city tax is imposed on the Prudential provides that it shall be taxed upon its gross assets, deducting therefrom its debts or liabilities. It further provides that "in stating the liability upon policies the basis of such statement shall be the value of the policies as computed by the Commissioner of Banking and Insurance, and not the gross amount insured thereby."

We had supposed that the term "liability on policies" had a fixed and certain meaning in actuarial parlance, and that it did not include that form of liability created by the provisions of a policy contract providing for a deferred dividend. We, therefore, contended that the liability created by the apportionment of surplus earnings to deferred dividend policies was a "general liability" and not a "liability on policies." The court held, however, that the liability created by the policy contracts and evidenced by the apportionment was a "liability on policies," and said that the only exemption you can have is the valuation of your policies made by the Insurance Commissioner. The Insurance Commissioner having construed the statute in the same way in which we had done had excluded from his computation any additional value given to the policies by reason of the right to participate in the deferred dividend surplus. We, therefore, failed to receive any exemption on account of this form of liability.

So I say from the fact that technical terms having been used in the taxing act in New Jersey which were construed by the courts in a popular sense, the Prudential was obliged to pay the City of Newark over \$700,000, representing two years' taxes. Now the boot is on the other leg, and we are endeavoring to discover whether valuation should not be given an equally broad construction with liability, and whether the Insurance Commissioner must not in making his valuations include this form of policy liability, or whether he is limited to the face of the policies in making this exemption.

I make this statement, not because I think the case is one of general importance except so far as it shows the necessity of care which should be exercised by those who are framing or making the laws in order to give to them the meaning which they ought to have

and which it is intended they should have. The case is of importance, however, from the fact that the City of Newark is one of the few cities which imposes a municipal tax. Whatever may be said in favor of the taxation by the State of its creature, the insurance company, I cannot conceive of any justification for the taxation of the company's surplus by the municipality in which it happens to have its home office. How can it possibly be said that the holders of deferred dividend policies in the Prudential have profited to the extent of \$700,000 by anything which has been done for them by the City of Newark? As I say, we happen to be at the present time the only company in the unfortunate position I have stated, but if the great success which has so far marked the efforts of the City of Newark to deflect from the coffers of the Prudential into the municipal treasury the funds of the policyholders, becomes generally known, you gentlemen may have exactly the same proposition confronting you.

It seems to me that the time has come when we should take a positive stand on this question of taxation, and the only thought that I have to suggest this afternoon is that possibly we have been in this matter of legislation, to use a football term, playing too much of a defensive game; that we ought, possibly, to avoid the charge of self-interest, secure others outside of the business to determine to some extent at least what a fair tax is, and then not be content merely with opposing legislation in states where they propose to impose an additional tax, but to make an effort to secure a reduction of taxation where it is excessive, where they are already taxing insurance companies beyond the amount they should pay. Insurance companies are not tax dodgers, even on this question of municipal taxation; barring out the amount the Prudential has paid, and that which is in dispute, it is the largest taxpayer in the state, and already contributes more than any other corporation, to the City of Newark. I do not suppose there is a single company which is not willing to pay a fair amount of tax out of the funds which it holds in trust for its policyholders, but my suggestion is that having arrived at that point, this Association ought to take a positive stand and not only adopt the proposition of defending ourselves against increased taxation, but endeavor to secure a reduction of taxation where improper taxes are now imposed.

It may be said that is impossible. Well, I doubt it for this reason: The only reason that taxation of an unjust and excessive amount is permitted to exist, is because of a lack of appreciation on the part of

the policyholders of the effect upon them. This was shown conclusively in Pennsylvania in the last year, when there was an endeavor there to increase the amount of taxes, and every company called the attention of the policyholders to the imposition which was being placed upon them. The result was that the mail at Harrisburg was flooded with protests against the proposed increase, and it was abandoned.

It therefore simply comes down to a question of whether we are going to have something concretely to work for, and it seems to me that it is not impossible—or at least, if it is impossible to secure this, it will give those who are seeking to increase taxation something else to think about. It will give them enough—to go back to football parlance again—give them enough to hold the ball where it is, without endeavoring to advance it.

Of course the trouble with this whole tax question is the indirectness of it. The policyholder does not care that the company is taxed. A one dollar imposition upon him directly is of a great deal more importance in his estimation than a hundred thousand or a million dollars imposed on the company in which he happens to have his policy. It therefore might be well to consider whether or not it might not be advisable to switch this tax from the company to the individual policyholder. Once impress upon him that he is paying the tax, and the company, as a company, will have no need to conduct further agitation along this line. He will do the agitating, and will see that the legislator returning home for a quiet Sabbath does not get it. I am not at all sure but if we could devise some method by which a fair tax could be imposed upon the individual policyholder, the whole solution of this question would be reached and an end come to legislation along these lines, leaving the policyholders to take care of themselves, as they are perfectly competent to do, when they once understand the problem that confronts them.

MR. F. W. JENKINS, President Security Mutual Life Insurance Company, Binghamton, N. Y.: In discussing the Injustice of Taxation with practical life insurance men and experts, several features of the question may be immediately eliminated.

It is generally conceded that home and branch office buildings and other items of real estate should be assessed and taxed the same as real property owned by other corporations situate in the same locality.

For present purposes we will not consider any of the questions which may or might be raised concerning the taxation of life companies organized as stock corporations for the purpose of individual profit, and doing a non-participating business; but what is said will apply only to mutual companies, or stock corporations with limited dividends, doing a participating business.

Intelligent men may honestly disagree in non-essentials on almost any subject, and the question under discussion is no exception to the general rule. That they should differ is not at all surprising, when the judges of our highest courts, both national and state, so often differ on what seem to be fundamental principles.

However, with reference to the taxing of premium income of mutual life insurance companies there is a very general unanimity of opinion. Not only the officers and representatives of the companies, but I believe I speak conservatively when I say that a majority of the Insurance Commissioners of the different States, and many tax experts of recognized standing, agree that the taxation of such premium income for purposes of general state revenue, is wrong in principle, and is unjust and unequitable as applied under existing laws and departmental practices.

The late Professor Zartman of Yale University, a few years ago, in addressing this Association, made this statement:

"A tax levied on premiums can be defended on one ground only; that of expediency. It is an easy tax to collect and this is a great consideration in the mind of the administrator, but the system of taxing insurance by levying on premiums is an illogical method, the application of which leads to discriminations."

Unless and until we have a satisfactory federal system of supervision of life companies, the welfare of the companies themselves, as well as that of the policyholders, requires intelligent state supervision along just and reasonable lines, and it is but just and proper that the expenses incident to such supervision should be a charge against, and be paid by, the companies supervised.

In the time allotted, it is impossible to go into an analysis of the laws of the several States for the purpose of showing the great diversity of schemes employed to extract money from insurance companies. It will only be possible to refer to a few of the general principles involved.

When the State levies and collects a tax from mutual companies based on premium income, this tax, of necessity, must be paid by the policyholders. This proposition has been so clearly stated by

so many eminent authorities, that no discussion of this general principle seems necessary.

In 1908, at the National Convention of Insurance Commissioners, held at Detroit, a committee previously appointed, consisting of the Commissioners from eight important States, after a very careful examination of the whole subject, made a report which I presume most of my hearers have read, and which I wish might be read by every policyholder in the United States. On this particular branch of the subject they stated:

"Life insurance taxes either increase the cost of insurance, or diminish the amount of it. In the one case they fall on the policyholders; in the other on the beneficiaries of the insurance. The State should not permit the misappropriation of these funds by insurance management. It should not itself divert them from their intended use. All the funds of a life insurance corporation not required for its economical management, or for the payment of losses or other policy contract obligations, are employed either to cheapen the cost or increase the amount of insurance."

Our several States are economically and legislatively comparatively new. It is not to be understood that Congress and the State Legislatures have treated us niggardly in the number of laws; far from it. The trouble is we have such a great mass of illy considered and conflicting statutes that uniformity and harmony are an exception, especially on any and all questions concerning the taxation of property. Time and infinite patience and perseverance alone can harmonize, simplify and remedy present conditions.

It is common knowledge that the burden of taxation placed on property and incomes in many European countries is exceedingly heavy. Enormous expenditures for many purposes make this necessary. Still, the taxes and fees charged life companies for licenses and other expenses in European countries average but a fraction of 1%, and cover the total expense of supervision. There is no tax on premiums for revenue purposes in Great Britain, Germany, France, Russia, Belgium, Austria, Italy or Spain. Great Britain even exempts from its general tax on private income, that portion of a man's income used to pay premiums on life insurance, not exceeding one-sixth.

It seems to be a settled policy in our own country to say to our citizens—"Yes you will be permitted to take out life insurance if you wish, that your dependents may not become public charges at your death, but if you do, the Government will appropriate some-

thing over \$2.00 out of every \$100 which you pay in premiums." Two dollars in one hundred, taken by itself, does not seem a large sum, but when it is remembered that over \$12,000,000 is now being taken annually out of the policyholders of the United States as a tax on premium income alone, the results are startling. On the average premium of \$30 per thousand, the \$12,000,000 tax so taken would purchase \$400,000,000 of insurance annually; an amount in excess of the total insurance written by the three largest New York companies in 1910.

The economic value to the States of such an enormous value of insurance would be hard to estimate in dollars and cents.

On top of the already exorbitant amounts demanded and collected by some of the States as taxes on premiums, there is another very ingenious contrivance which works with great facility, and has been a great convenience in raising revenue to meet political extravagance, namely, the retaliatory statutes which enable one State which happens to have a lower premium tax rate, to collect from companies of other States as large a tax as imposed by the laws of the State of their domicile. These statutes were presumably enacted as a penalty by one State against another; but the fact should not be lost sight of that the State collecting the penalty appropriates it to its own use, and that the penalty itself is collected not from the other State, but from the innocent policyholders; it is they who pay the fine, and the penalizing State appropriates the penalty.

From a reliable publication it appears that in 1910 three New York companies paid, in taxes on premium income and for departmental fees and licenses, the sum of \$1,073,963.00, \$749,801.00, and \$782,033.00 respectively, and one Western company paid for the same purposes the sum of \$934,671.00, or a total for the four companies for the year of \$3,540,468.00; in addition, these four companies, the same year, paid the further sum of \$928,380, as taxes on real estate.

The Committee of the National Convention of Insurance Commissioners, in its report of 1908 above referred to, among many other important utterances, said:

"The State should insist upon the faithful conservation of life insurance funds and their application to their intended use. It should be as reluctant itself to divert them from their intended use as to permit individuals to employ them for political purposes or in extravagance of management."

In considering the report of these Commissioners, and in order

that it may have due weight, it should be remembered that each Commissioner was at the head of an Insurance Department of an important State. It is but human that each of those Commissioners should desire to have his department make a commendable showing, both by way of large receipts and reasonable disbursements. These men were in no way connected with the management of life insurance companies; they did not look upon this subject from a partisan standpoint. If they had been merely seeking local popularity, and not standing for a great principle, they would have sought rather to increase, than to diminish the net sum to be turned over by them to their respective State Treasurers.

If the taxation of life insurance premiums were, under any conditions, morally justifiable beyond the point necessary to cover the reasonable cost of supervision, the taxation as actually practiced in the United States is inequitable and indefensible.

There is a law prohibiting discrimination between individuals of the same class or of equal expectation of life. The language employed is practically the same in each State; in New York it reads as follows:

"No life insurance corporation doing business in this State shall "make or permit any discrimination between individuals of the same "class or of equal expectation of life, in the amount or payment or "return of premiums or rates charged for policies of insurance, or in "the dividends or other benefits payable thereon."

There is no officer connected with an insurance company who does not know that his company is rigidly required to live up to the letter and the spirit of this statute. Were any New York company to differentiate or discriminate between policyholders or beneficiaries of the same class, or of equal expectation of life, in the payment of dividends, accumulations or policy values on the one hand, or in the rates of premium charged on the other, between citizens of New York and Ohio, such company would most surely and quickly come to grief. And yet the State of New York has been, and is, collecting from its companies, a premium income tax of only 1%, or one dollar per hundred per year, while Ohio has been, and is, compelling each New York company operating in that State, to pay a yearly tax of $2\frac{1}{2}\%$, or \$2.50 per hundred on all premiums collected from policyholders in that State. Ohio compels New York companies operating in that State to charge the same premiums, pay the same dividends, grant the same policy values, as charged, granted and paid by the companies in their own State,

and at the same time itself deducts two and one half times as much out of every premium paid.

Policyholders in Ohio, therefore, actually pay less, or receive more than policyholders of the same age and expectancy, insured in a New York company doing business in the former State. As taxation on premiums in mutual companies ultimately comes out of the policyholders, it follows that Ohio, in this way, compels policyholders having neither domicile nor taxable interest in that State, to contribute to the general support of her State government and State expenditures.

Pennsylvania with her 2% tax, in the same way, only to a correspondingly less degree, compels, by law, insurance companies of sister States to constantly violate both the spirit and the letter of the non-discrimination statutes.

The taxation of life insurance premiums as actually practiced, not only compels a violation of the principle of the anti-discrimination statute as between policyholders of the several States, but such taxation is a State discrimination between life companies and other corporations in the State.

To quote again from the report of the Committee of Insurance Commissioners in 1908:

"We have found no instance of an income tax law limited solely "to any other single class of business. Singling out life insurance "for this special form of tax is * * * indefensible and intolerable. It is unworthy of an enlightened government. * * * If "other business enterprises were, like life insurance, taxed on their "gross income and at the same rate, instead of existing methods, "their tax under the gross income tax system would be increased "many times over."

It is a significant fact that in the insurance reports of some of the States in which the largest taxes on premiums are exacted, no statement is made of the total actual revenues collected, or the actual operating expenses of the department which collects them.

The 69 life companies operating in the State of Pennsylvania in 1910, collected, apparently, premiums in that State during that year, amounting to \$44,425,550, on which the State tax of two per cent. gross was presumably collected. This would net to the State the tidy sum of \$888,511, in addition to the quite considerable sums collected from life companies by way of fees of different kinds. In addition to this, other large sums were collected by that State from other kinds of insurance companies.

Time does not permit of an extended discussion of other contrivances which the ingenuity of man has devised to extort, from companies, substantial sums of money; as for instance, the State and Municipal licenses for companies, State and Municipal licenses for agents, State and County licenses for agents, city licenses, publishing of annual statements, etc., etc.

The State of Alabama imposes an annual tax of 2% on premium income less certain comparatively small credits. In addition, the cities of the State impose an annual license tax for having an office or doing business therein; Birmingham, for instance, demands \$200 per annum, while Mobile's annual license is, I believe, \$400. As these licenses, like taxes, come, in mutual companies, from the pockets of policyholders, it is plain to see the inconsistencies of the non-discrimination laws of the States which, on the one hand, enjoin absolutely fair and equitable treatment between the companies and each and all of their policyholders, and on the other hand, by their own laws and ordinances, make such treatment absolutely impossible.

I suppose that no legal department of any life insurance company would dare advise its board of directors to pay any less dividend to policyholders in Mobile or Birmingham than they pay to policyholders in Buffalo or Rochester, yet in Alabama the State takes first a two per cent. tax out of the premiums, then the city of Mobile takes \$400 flat per annum, even though the company may write but a single application in that city in the course of the twelve months. While from the premiums paid from Buffalo, New York subtracts but one per cent. and the great city of Buffalo exacts nothing.

The State of Wisconsin taxes its domestic companies 3% of their gross income from all sources, excepting income from real estate and premiums collected outside of the State on policies issued to non-residents of Wisconsin.

Hon. George Curtis, Jr., of the Wisconsin Tax Commission, in an address on the Tax Laws of that State, in March of the present year, said:

"The assets of the Northwestern Mutual Life Insurance Company, of Wisconsin, excluding real estate, amounted on January 1, 1911, to \$271,595,259.87.

"The proportion of such assets equitably belonging to Wisconsin policyholders is about seven and one-third per cent. or \$19,918,-796.35.

"The Company's annual income on this amount at the average rate of its income on all its assets for 1910 (4.557 per cent.) is \$907,699.55.

"An ad valorem tax on the Wisconsin portion of such assets at the average tax rate in Wisconsin for the year 1910 as computed on estimated true value of taxable general property—such rate being .01117968554 (nearly 11.18 mills)—would amount to \$222,685.88. This would equal 24.53 per cent. of the annual income from such assets. It will perhaps be serviceable to note in this connection that the amount of taxes required of the same company for the year 1910 (paid February 28, 1911) under existing Wisconsin law was \$450,704.78, which is 49.65 per cent. of such income.

"The unjustifiable excessiveness of such rate of taxation on assets of this character seems manifest."

Ex-Commissioner of Insurance Prewitt, of Kentucky, a few years ago made a thorough examination into the relative taxation of general business and life insurance. He obtained authentic information as to the gross receipts and amount of taxes paid by various mercantile and manufacturing institutions and compared them with the figures obtained from insurance companies. In submitting his report to the Governor of Kentucky, he stated:

"I am, therefore, bound to conclude that a two per cent. gross premium tax is unreasonably greater than the tax paid by other persons and property within the jurisdiction of the body imposing the same."

As showing the injustice and inequality of taxation of corporations I quote from an address made by George H. Noyes, Esq., of Milwaukee:

"Building and loan associations are in most States exempt from taxation, while in the States where they are not exempt by law, but a very small amount of taxes is collected from them.

"Let me use one State as an illustration of tax inequality. In that State building and loan associations are by law exempt from all taxation, except a local tax on real estate. The deposits in banks, savings banks and trust companies are practically, if not legally, exempt from taxation.

"In 1908 the fraternal corporations, foreign and domestic, collected assessments in that State amounting to \$2,701,412.54, paying no license fee or tax for the privilege of doing business. The principal domestic company collected less than this amount

"from its members in the State and paid a license fee of \$403,238.68.

"There was collected from the citizens of the State in question in 1907, for protection of both life and property, the sum of \$20,187,-734.03. Of this amount the level premium life insurance companies collected \$6,901,034.34, for which privilege they paid to the State at the rate of 5 7-10 cents on the dollar while the other insurance companies paid at the rate of only 1 1-2 cents on the dollar.

"The principal domestic company in 1908 paid to the State \$126,-915.26 more revenue than all other insurance companies of all kinds operating in the State, notwithstanding the fact that its premium receipts were less than one-seventh of those received by the other companies."

It is a slow and difficult matter to right wrongs and work out reforms, especially when reformatory necessities necessitate a loss of revenue to the States, and where favorable action must be secured in so many different jurisdictions; but somehow and at some future time, conditions must be at least partially remedied.

If our Insurance Departments had the power of legislation, more rapid results could be expected; but it will be necessary to deal with many legislatures, made up of many members, mostly elected for a short term, having no special training in these matters, and often manifesting little interest in a subject which will cause immediate loss of revenue to the State.

Many plans have been proposed; some practical and some impracticable.

Professor Zartman suggested legislation taking taxes off premium receipts and assets, and levying the same upon the individual policy reserve of the policyholders.

He proposed:

"That the States give up their taxes on assets and taxes on premiums and make the policyholder liable for taxation upon the reserve value of his policy. * * * With a modern policy, the reserve is always at the disposal of the policyholder. He can borrow from it, and he can withdraw it if he cares to do so. * * * Most States do not tax trust companies upon their deposits, but they do tax the depositor upon the amount of his deposit. If the States are going to levy a general property tax and under this, tax life insurance, the tax which they should impose is a tax upon the individual policyholder according to the value of his deposit or

"reserve with the company. * * * The policyholder pays the tax "but he pays it indirectly, and thus does not know how much he is "paying. If the truth were known, it would probably show that the "policyholder is in general paying a heavier tax than is the average "holder of personal property. Furthermore, the tax is grossly ill-"proportioned, amounting to from ten to fifteen per cent. upon the "value of the equity which the policyholder possesses in the early "years of the policy. This is wrong. We may not believe that the "investor in life insurance should receive any special consideration, "but we should insist with all our power that no *extra* burden shall "be placed upon him. * * * The objection to this plan is that "it would result in much evasion. Of course it would. But if the "States are going to hold on to the general property tax system with "all its evasions and its glaring irregularities, it is perhaps but fair "that the man who invests in life insurance should have the same "privilege of evading the tax upon his insurance reserve. This "would be taking a step in the wrong direction for tax reform, but "if justice can not be done in any other way, it is justice that all "shall have an equal chance."

Were it possible to secure legislation along the lines suggested by Prof. Zartman, and were a direct tax to be levied on the reserve of the individual policyholder, and paid by him out of his personal income, he surely would know it; such knowledge would beget action on the part of the great army of policyholders; action would beget power, our legislators would become interested immediately, and the present illogical and burdensome taxation of life companies would soon be but a memory. While such taxation might accomplish the object sought, legislation to that end does not to me seem attainable.

While many suggestions have been made, and will continue to be made, as to when and how life insurance companies can get appropriate relief, this one thing seems certain, that such relief cannot be expected unless and until there is a general awakening of interest in, and activity on the part of, the policyholders themselves.

No matter in what way, or under what guise life insurance is taxed, any sum collected from the companies or the policyholders in excess of an amount equal to one per cent. on gross premiums is almost universally agreed to be exorbitant and unjustifiable.

Personally I have not believed that national supervision of life insurance was possible, even if desirable. It may be that all of us who have entertained such a feeling have been mistaken, and that

through national supervision alone we will be able to ultimately secure relief from present conditions.

Things are moving along very rapidly nowadays. We have a Department of Commerce and Labor. Within it is a Bureau of Corporations. We have an Interstate Commerce Commission to regulate traffic between the States. We have a United States Commerce Court created especially to pass upon questions connected with interstate commerce.

The President of the United States now recommends legislation to enable national incorporation in some cases. What, if anything, will be done with such recommendation, and if legislation to that end is passed by Congress just how comprehensive it may be, no one knows.

It has also been recommended by the President, and suggested by eminent people now in private life, that provision should be made for national incorporation of companies for certain purposes; such companies to be subject to the supervision and control of a bureau or commission to be created by Congress, with ample power.

Judging from the present trend of events, it is not a far cry, if I mistake not the temper of the people, from the present unsatisfactory State supervision and taxation of insurance companies, doing an interstate business, to national supervision and ultimately a more uniform and equitable taxation.

MR. ALFRED HURRELL, Attorney, Association of Life Insurance Presidents: I have no desire to inflict myself upon this very intelligent audience of insurance men, but I wish to speak very briefly about one matter which is on my mind. At the meetings of yesterday and to-day we have been considering the subject of conservation. It has often seemed to me that life insurance men would do well to think of one little thing which I have thought of, and not only myself, but others, and that is in the matter of terminology. Mr. Duffield and Mr. Jenkins have just spoken on the subject of excessive taxation, and of course, we would agree that insurance companies are taxed to excess. As Mr. Jenkins has stated we would get a unanimous vote on that subject.

The Association particularly is confronted continually with the proposition of either reducing taxation or opposing increases of taxation. I think one of the reasons the public at large are so apt to think that insurance companies are prosperous and reflect that belief in legislation to increase taxation, is because the public at

large do not fully understand yet that insurance companies are not profit-making institutions. I cannot help but deplore the continual misuse—and in this I do not know that the insurance men will agree with me—the continued misuse of the term “dividends.”

Having come recently from the ranks of the layman, I want to give you my word as an insurance prospect sought by many of the active and intelligent agents of the city of Buffalo, and who bought from them two or three policies, there was not one agent that presented the proposition of life insurance to me that ever cleared up in my ignorant mind the difference between the dividends of life insurance companies, and the dividends I might earn in any profit-sharing industrial company. From conversations with other insurance men and in the course of my duties since, I have come to thoroughly understand the nature of the term “dividend”; but I believe the misunderstanding is very prevalent with the general public. I know it is not with the insurance men, and I think one reason insurance men do not appreciate the point to which I speak is because the term is so thoroughly understood by them. But when the companies talk of returning big dividends—I appreciate there may be a difference of opinion arising between the participating and non-participating companies on this point—when the companies talk of large dividends, the natural result of such talk in the public mind is to create the impression that the companies are making money in large amounts. I remember early in my professional career in the city of Buffalo, there came to me a very intelligent man, a salesman for one of the subsidiary companies of the Steel Trust, who had been sued on a note of some four hundred dollars which he had given a life insurance company for a life insurance policy of ten thousand dollars. He said he had been induced to take the policy by misrepresentation and his whole point was that he had been falsely induced to believe that in paying his money in he was investing it and would get dividends on it in excess of fifteen per cent. Of course we did no more in the suit than to get a little time, because he had to pay the money. (Laughter.) I do not know what the subsequent history of the policy was, but I would like to lay a little wager that an investigation would disclose that my friend lapsed his policy long since because he was inherently dissatisfied. We are talking about intensive cultivation, conservation, and it seems to me that it would not be an impossible thing for the insurance fraternity to get together and adopt and force into the dictionary of life insurance a different and more accurate term

in this connection than "dividends." I think another thing would follow. I can appreciate from a knowledge of the intense activity and energy of field men that dividends are something to talk about when they are seeking risks. I do not object to having an agent talk about anything which is half way legitimate that can secure business for him, because I understand that it is business the home office insists on, and expects of the agent, but I think if some agents would use a different term, there would immediately be a discussion as to why another competing company promised a dividend (if that other company had not agreed to the new term) that would bring about some of the education we are talking about in this convention; such discussion between competing agents would immediately force home the fact in the minds of the public that there is a difference between a dividend on a life insurance policy and on a share of stock, that while a dividend on a share of stock is the profit or earning on the capital represented by the stock, the dividend on a policy is no more substantially than the return of the unused premium. This is what is to be desired. I have prepared a resolution which unofficially I have been told has run against a snag in the Committee on Resolutions, but the term suggested in place of "dividend" in the resolution which I handed in was merely tentative and was designed to bring this question before the meeting. The new term there recommended in place of dividend was "premium savings" or "premium abatement." Those are terms which I think ought to be used or some more appropriate words, instead of the term "dividend." I handed the resolution in, because as we are discussing subjects of intensive cultivation here, I thought it might stimulate some practical insurance men to discuss this subject.

MR. CHARLES D. LAKEY, Editor, Insurance, New York: I would like to say a word for the other side. Some twenty-five years ago I ran up against a very important man outside of town that I had known. In fact, he had rented a house of me once, and he wanted a life insurance policy. He didn't know it, but I forced my convictions on him until he took it. (Laughter.) I have quit the business now, gentlemen. Now, then, he took the policy and that was the last I thought about it, but I remembered well enough that I didn't sell him an endowment policy.

Well, one day some four years ago, I happened to meet him in the hall of the office building and he said;

"Lakey, you know that endowment policy that you got for me is going to be due in a few days."

"What?" I said, "endowment? I never got out an endowment policy for you."

"Oh, yes," he said, "it was an endowment, all right."

I said, "You had better read your policy; you never read it."

He went and read his policy, and then he told me that that was his unfortunate fate, and that all he could do was to get a dividend on it—it was a first-rate policy (laughter); it was all right (laughter), but it was not an endowment policy, and he had to own up to me that he had never read it, and that gentleman is a judge of the Supreme Court to-day in the City of New York (laughter). So give it to the other fellow (laughter).

MR. GEORGE E. IDE, President, Home Life Insurance Company, New York: Just a word on the subject of taxation. This discussion to-day of dividends and taxation carries us back a good many years, for we have been over this ground repeatedly, and I think the lack of progress is due to the lack of courage on the part of insurance managers. Taxation is a difficult matter to handle. This arises from the fact that a State or a city needing money imposes the tax in order that it may be lost in the general expenses of a large corporation. Had the local tax of the city of Newark been distributed *pro rata* among the Newark policyholders of the Prudential, the measure would never have passed. I can see little reason why a body of men insured in a New York Company and residing in France or Germany, should pay a tax to carry out some extensive improvement in a Western State which needs development. Whether under our present system this distribution can be made is not for me to say, because I am not a lawyer. Fairness demands that the local expenses connected with doing business in a State should be paid by the policyholders of that community. I advocated that ten years ago, and coupled with it the suggestion that you do reach your policyholder at least once a year, when you send him his notice, and that after segregating your charges you should tell him in your statement "your dividend is so much; had it not been for the tax, your dividend would have been so much." That met with some support and with a great deal of dissent. It is radical and it is contrary to the general practice, but there is no use of trying to meet an issue of this sort by half-hearted measures. I started to send out some time ago to all my policyholders a little leaflet, just a slip

of paper, put in with their notice, which described very briefly in ten or twenty words, what the tax was, and I added, "the policyholder pays the tax." I got letters from all over about it. They were very interesting. One man said I am insured in another large New York company, and it pays my tax. Now what are you going to do? We have not time to write long letters to every policyholder, and as long as we stand and supinely distribute this local tax in a general way and put it into the general expenses of the company, just so long will we be absolutely unable to make a strong, manly fight against the inroads which are the result of local need.

I do not blame the Western legislator who wants to be re-elected and who wants to push forward his own community—I do not blame him one bit for raising money if he can and have it paid by the citizens of New York or England or France. The whole thing is unjust and improper. If the tax is going to be a local tax it should in equity be a local charge (applause).

THE CHAIRMAN: Gentlemen, one of the saddest feelings that comes to the average man is the feeling of remorse, what we might call the upbraiding of conscience. I rather fear that most of the gentlemen here this afternoon will wake up to-morrow morning with sincere feelings of contrition unless they respond more promptly to our cordial invitation for them to assume the perpendicular attitude here this afternoon.

MR. E. B. CRAIG, Vice-President, Volunteer State Life Insurance Company, Chattanooga, Tenn.: Mr. Chairman, I want to agree, and I do agree with what Mr. Jenkins said, that it is unanimous here that we are taxed unjustly. I also agree thoroughly with what Mr. Ide said, that we lacked courage. I mean the managers of the life insurance companies lacked courage on the question of taxation.

For ten years, unfortunately, I was a Commissioner of a Southern State. During those ten years I never received a letter nor a suggestion from the manager of any life insurance company that the taxes in Tennessee, which are as high as in any other State, were unjust, except that when some prominent legislator wanted to put a five-dollar tax on an agent, I would get a hundred letters about that, but none on the general question of taxation.

I have always believed, and I have so stated before this Association, that if the managers of life insurance companies would take this matter up with their policyholders in an intelligent, positive,

fighting way, it would win. In most of the States, or in a great many States we have now what is known as State boards of equalization. We had one in our State. Unfortunately I was a member of that by virtue of my office. After the great railroad fight there, when the railroads' taxes were raised considerably, their defense was the injustice done the railroads because their properties were assessed higher than the other properties of the State, and the constitution of the State intended that all properties should be taxed alike.

After that fight on my own account, without the suggestion, without the aid of anybody, I tried to reduce the taxes on life, fire and casualty companies doing business in Tennessee. Unfortunately, the State needed revenue pretty badly at that time, and I could not make any headway. It was merely a fight of my own without help. But I did show to the Committee on Insurance in both the House and the Senate, and I think proved conclusively, that the life, the fire and the casualty companies on an equalization rule were paying 100 per cent. more taxes than any other class of corporations doing business in that State. I believe that when the people know those facts, if the life insurance companies will simply go to work and bring such information as that to the attention of legislatures, we can gradually reduce the taxes on life and fire insurance companies. I would like to see this Association go at it in some way. We all agree that the taxes are too much, but we do nothing. I believe that is the only method by which we can accomplish something.

MR. ARTHUR E. CHILDS, President, Columbian National Life Insurance Company, Boston, Mass.: The twisting of a policyholder from one company to another is a practice which grew up under old-time methods when its damaging effect upon the mind of the policyholder was not fully realized, or perhaps, what is more probable, when the agent was of such a type that he was indifferent to the loss of confidence of the policyholder in the integrity of agents, companies, and the whole system of life insurance.

It is one of the extraordinary things about the doubtful art of twisting, that agents do not appreciate the extent to which this practice reacts upon their own business, not to speak of the injury it does to life insurance as a whole.

It is said that figures do not lie, but this does not preclude the possibility and, in the case of twisting, the surety that the man who makes the figures is often a most accomplished liar; and while the twister may deny that he speaks untruths, yet he accomplishes the same result by speaking only half truths, or suppressing essential

facts comprised in the whole truth. One of the definitions of the word twist is "to make crooked," and therefore it follows that the twister is a crook.

Certain agents, to extend their twisting practices, have enlarged their field of operations by calling themselves insurance experts, or actuaries, or by organizing abstract companies, thereby putting themselves in the position of being agents for all companies who will permit them to place insurance with them, after having persuaded a policyholder to drop his policy in any one company. This band of ravenous wolves going about in sheep's clothing has been fully exposed by the insurance journals and newspapers, and was the subject of a strong resolution adopted by the National Association of Life Underwriters at its Twenty-second Annual Convention, which resolution has undoubtedly been received by all the members of this association.

The practice of twisting an agent from one company to another has also been the subject of discussion by Life Underwriters' Associations, and in particular by the New York Association, which has passed strong resolutions condemning the practice of indiscriminate circularizing of agents under regular contracts, calling attention to the fact that the special offers and inducements made are generally illusory and misleading or injurious to the agent inasmuch as it tends to disaffect and disturb him in his regular work, and is in general degrading to the business.

In concluding these brief remarks, I would call your attention to the fact that it is only within a few years that a small band of far-sighted and courageous leaders in the agents' ranks began a campaign against twisting as being wholly unjustifiable, either ethically, or from the viewpoint of expediency, and their efforts led to a campaign of education now fully under way, which shows the practice to be economically wasteful, morally censurable and injurious to the business of life insurance because it tends to impair the confidence of policyholders.

While twisting was formerly winked at, and in some high places is still condoned, yet it is now generally condemned, and the rulings and regulations of Insurance Departments have tended to make the path of this particular species of crook a hard one to follow.

I desire to appeal specially to the executive officers of life insurance companies to follow up the work courageously begun by the various underwriters' associations, and to lend their active support in forwarding the movement and their powerful influence in sup-

pressing the practice. It must not be forgotten that the responsibility for this economic waste finds its ultimate resting place upon the insurance companies, and that they in the end are the greatest sufferers from the practice, and that any selfish desire for growth might better be employed in creating new business and enlarging, instead of breaking down the confidence of the public in life insurance.

MR. WILLIAM ALEXANDER, Secretary, Equitable Life Assurance Society, New York: "Twisting" is pernicious for more reasons than one. The American people have taken life insurance because the agents have persuaded them to do so, and not because they have fully recognized its value. This explains the fact that so many policies are surrendered for trivial reasons—or without reason.

If the companies can induce their policyholders to think for themselves, they will be greatly benefited; and many policies which otherwise would be abandoned will be maintained, and the beneficiaries, instead of being protected temporarily, will be protected permanently.

In every community there are multitudes of people who need insurance and are able to pay for it, but who are still uninsured. Hence, there is no excuse for the agent who seeks to make a living by "twisting"; for an old policy cannot be exchanged for a new without financial injury to the insured. Moreover, the "twisting" agent often induces a man to surrender his old insurance, but fails to persuade him to take a new policy in its place, with the result that the man's family is left unprotected.

But, in my judgment, these are not the chief evils that result from "twisting." Its demoralizing influence on the community at large, and the suspicions aroused against the great institution of life insurance in general, seem to me to be far greater evils.

It is true that "twisting" injures the individual, but it is equally true that it tends to lessen the appreciation of the public in all insurance.

The agent who succeeds in dissatisfying a man with one company, or one policy, cannot, at that point, arrest the progress of the influence he has exerted. In a large majority of cases a man who abandons the company in which he is insured becomes a permanent deserter from the life insurance ranks. In this way he not only sets a pernicious example, but goes away disappointed and dissatisfied, and is likely to have a very demoralizing influence on the people round about him. In time of war the most severe punishments are

inflicted upon deserters. Why? Not because a single man who deserts is lost to the army, but because of the injury he does, the bad example, and if men are induced to give up their insurance their example is of such very great injury to the community, and they do so much to injure the business of the agent thereafter in that field, that any far-seeing agent, that any intelligent company, it seems to me, ought to realize that nothing does more injury than this twisting, in the broad influence it has all over the country. (Applause.)

I regard it as a most encouraging sign that the agents of the reputable companies in certain localities have banded together to protect themselves against this "twisting" evil. If all the reputable companies, and all the agents of those companies, would unite in the effort to stamp out "twisting," the great cause of life insurance would be rapidly advanced.

The only wise course for the intelligent agent to follow, if he finds that a client has insurance in another company, is to congratulate him on his prudence and foresight; tell him that *any* insurance issued by *any* solvent company is good; charge him to hold fast to what he has, and advise him to take new insurance, not in place of, but in addition to that which he already holds. Then the policyholder, instead of being dissatisfied with one company, and in doubt as to others, will be convinced that he has acted wisely in taking the insurance he already possesses, and will be in a mood to consider favorably the proposition of increasing his holdings.

Questions such as these should be considered in a broad and liberal spirit, and the fact should be recognized that the good of the insuring public as a whole is more important than the good of a few individuals.

Competition for insurance between life insurance companies, if fair and reasonable, is wholesome and stimulating. No company has any reason to fear such competition. But all the companies are in competition with ignorance and apathy regarding life insurance. And they will act wisely if they combine to convert these evils into appreciation and steadfastness. Then life insurance will be prized, and doubt and suspicion will give place to confidence. Then life insurance, and the companies providing it, will be trusted.

MR. T. J. McCOMB, President, Jefferson Life Insurance Company, Oklahoma City, Okla.: Mr. Chairman and Gentlemen, I appreciate being here very much indeed, but I am somewhat embarrassed when it comes to the question of discussing insurance before

you gentlemen. I was Insurance Commissioner of the State of Oklahoma, elected as its first Commissioner, and had something to do with the legislation there, and this question of taxation which was just sprung a few moments ago interested me very much. The Constitution of our State provides a two per cent. premium tax; so when it came to the question of vitalizing the Constitution on insurance matters, and drawing that section with reference to taxation, I put a clause in that provided that it should be in lieu of all other taxes of any kind whatever by any municipality or city of the State in any section. That, together with the license fee and the agents' fee, are the limit of taxation in that State.

Mr. Cox asked me to make a few remarks on the subject of the danger of policy loans. And in looking over some of my old files I found where Mr. Richard Teece, the actuary and manager of the Australian Mutual Provident Society, in 1894 had this to say:

"Liberal cash surrender values do not increase the rate of discontinuance. The values allowed by this company were the largest, the rate of discontinuance the lowest. Liberal surrender values do not unfavorably affect selection. The mortality in this company is the most favorable perhaps of all company experiences. Liberal loan values do not cause insurance to lapse, but instead prevent it as long as possible. Liberal loan and surrender values are not 'costly,' they do not cause reduced dividends. The Australian Company's dividends to policyholders have been very large. Liberal treatment of policyholders pays. That company is, because of its splendid reputation in this regard, able to secure a larger new business annually transacted by any company, in proportion to the population of the territory it occupies, than any other company."

But conditions may be different in that section to what they are in this country. One of the elements that go to make up the present-day policy is the liberal loan values. Many times that enters into the closing argument when the policy is written, and unfortunately this feature of the contract will persist when the protective features have faded into the mental background of the insured and leave him considering his policy more in the nature of a piece of collateral upon which he can borrow easily and at a very low rate of interest. He digs up his policy, borrows on it to the limit, his mind performs a wonderfully quick acrobatic stunt and it lands him hard and fast on the conclusion that he has gotten out of the company about all his policy was worth, and the interest on the loan together with his next premium falls due, and he allows the policy to lapse.

Strange? Not at all. He believes he is in good health. He has lost sight of the protective features. He says to himself he would have had more cash if he had never bought the policy; and whether he would or would not is immaterial at this point. He has so concluded. The result is the policy must be resold to him, and this time all that will sell it is waking him up to the need of protection, creating anew in his mind the desire for life insurance, and this can be done only by personal contact; the representative of the company must be on the ground.

I speak from an experience in the field as soliciting agent, and I know the trouble we get up against when the prospect is a man who has a loan on his policy. Many times in my section of the country it has an adverse effect. He lets his policy go and he feels he has received all the benefit, and that there has not been much benefit at the outset. Let us analyze this proposition, why it is true and why it is dangerous. It is dangerous to make real estate loans of 100 per cent. of the appraised value of the property. That is simple. It is dangerous to make chattel loans of 100 per cent. on the appraised value of the property. That is easy. And it is dangerous to make policy loans of 100 per cent. of the cash value of the policy. In either instance the borrower is likely to sell out to the company.

Now, again, the lower your rate of interest the greater will be the demand for loans. Make the rate three per cent., and the situation would be most alarming. What business other than life insurance could make loans on its stock in trade of 100 per cent. of the cash value, and at five per cent. interest and still survive? The idea is that we are carrying down on one hand what we are trying to build up on the other. If we are selling insurance for protection and the agent in the field places insurance that way, it will stick. But if we regard it as a piece of collateral, my experience as an agent in the field, is that the policyholder soon turns it loose. The only margin of security the company has for the repayment of such a loan is the insured's mental valuation and appreciation of life insurance as protection in the event of his death. This brings us back to the birth of the contract, the time it is sold, when real conservation should be exercised. Conservative sounds very much like conservation to me. The business should be sold right in the first place. Life insurance that is bought to protect the wife and babies, because the man loves his own, will ever be the most satisfactory business written. It will stick tighter and hold faster than any policy which is bought because of big cash values, big loan values, big

dividends, or other big benefits it may promise to the man that is selfishness personified.

Emphasis should be placed on the protective feature in the selling of insurance, the value of the insurance in the event of death, and the terminable values if it be a terminable contract, and not upon intermediate values that it might have if a man were to discontinue.

Now, summing up these few remarks as a field man, I think that one danger of policy loans is the companies vying with each other in trying to make that feature too liberal. I do not see why a man should be able to borrow on his policy at five per cent. He can borrow money on real estate at five per cent. And I think there is a good, strong, sound argument why when you are loaning a man 100 per cent. on his policy you should exact of him a little higher rate of interest. I think that six per cent. is favorable enough. If you had the interest at six per cent. there would not be so many loans as if you had it at three per cent. That is very plain, it seems to me. And again I do not believe that a man should be permitted to borrow 100 per cent. of the cash value of his policy in any intermediate year. I think there should be some incentive beyond an estimated dividend. I think that the full reserve should not be loaned on the policy in intermediate years.

I do not know the dangers of a loan from the standpoint of an executive, but I do know them from the standpoint of an agent in the field. From my experience in the field for a good many years, I think I can sell life insurance just as easily with lower loan values. There is no question about that. If the incentive to borrow is not there, the policyholder will not borrow so readily. But it is a hard proposition, gentlemen, to answer the question how we can eliminate this danger and at the same time offer it to the public all the time. Offer a man money at five per cent. and then say how in the world can we keep him from taking it. It is rather a unique and peculiar proposition.

So, in conclusion, I would simply state that the insurance contract of to-day is undoubtedly the most perfect and most liberal instrument that has ever been offered to the people in the way of protection, and when we try to add to the contract of insurance investment features and things of that kind, we have got away from the fundamental proposition of protection. Thank you.

MR. COX: I want to suggest this thought. There are several men in this room who have to do with getting the signature on the

dotted line. When it comes down to the question of policy loans, can we defer those loans from three to six months without interfering with the matter of getting business? Somebody here has an answer to that question. That would be one way of discouraging policy loans, which has been suggested. Defer them, put them over to a time when the man does not feel the necessity for the money nearly so much, or to the time when the opportunity for speculation in the market is not quite as good. But some people say that cannot be done, because the agent cannot write the business. Now let us hear from some agent on that question. Does it interfere with writing the business?

MR. BERTRAM DAY, President, Lafayette Life Insurance Company, Lafayette, Ind.: Mr. Chairman, may I speak modestly, I hope without any presumption, on the part of the salesman? The last speaker made the remark that "it goes back to the time when it is sold." I think that is important. The salesman in the field is the creative genius of these great institutions; he is the man around whom these institutions revolve, and I would advocate—and I do not mean to imply we have not adopted all means possible to overcome this question of waste, which is the economic question of the hour—but I do wish to imply this, that when we salesmen make a contract, we have for its object, permanency, and if we make contracts with men and educate those men and keep those men with us, that will go a long way toward overcoming this great waste in life insurance. If we will educate him not to talk the minor points, but the major points in the selling of this business, the loans will not stand out so prominently. And I believe if we keep this man with us and inspire him with our loyalty to him, which we must do before we can expect loyalty from him, we will overcome the three arch enemies of life insurance, namely, lapses and policy loans and twisting.

I believe we should all stand with the man in the field, the genius in the field, and properly educate him to do the right kind of work. After we have done that, what have we done? Is it not better to keep this man with my company to-day—and I challenge any of you men to try to get one of my men—is it not better to try to keep this man with my company and educate him to our method and system of getting business, and keep that business on the books, than to let him go with another company? And the minute he leaves my company and goes with your company, the insured loses the per-

sonality to renew the business, and lapses and policy loans and twisting are frequent. Keep the man with you. Put your arms around the field force.

We want to inspire the men with a feeling of our confidence in them, and our loyalty to them. And I say any plan that will enable us to teach our men conscientious effort and integrity in the business, any plan that will teach permanence for the future, any plan that will foster stability and responsibility to this great profession of life insurance will overcome the evils and conserve this business. That is what we want to do to-day, to guide our salesmen in that way. I am only a young man in this business, but I feel that the selling part of this business is nineteen-twentieths of it.

Another thing, to a young man in this business, it is a great honor for me to be here and listen to these giant intellects, these great leaders. Here we have the leaders, the best and fittest men, to co-operate with this genius in the field. I wish I might have the biography of the man who was read about yesterday, and I wish I could have the autobiography of this man's face as he sits here in this chair, that I as a young man might overcome the blunders in life insurance and teach our men that they are the bone and sinew of our institution. We must put our arms around the creative genius in the field and then we will overcome lapsing and twisting of policy loans. (Applause.)

CHARLES JEROME EDWARDS, Manager in Brooklyn for Equitable Life Assurance Society: Mr. Chairman, there have been some remarks made on the floor to-day, which, if I may have the privilege, I would like to refer to. One by Mr. Hurrell, on the subject of dividends. As a young man in the insurance field, for over twenty-five years, I have found that probably 95 men, probably 99 men out of 100, are confused by the term "dividend." It has been suggested, talked over in agency conventions and gatherings of that kind for years, at least since the days of the big wind, that the only condition which the public needed the most to be educated on was to understand the insurance phraseology, terminology, if I may so express it, and that in place of the word "dividend," if we could drill into the applicant's mind, into his head, into his appreciation, the fact that it was a refund he was getting and not a dividend, that then we should have his full appreciation, and his full and conclusive support.

Second, sir, as a layman, and entirely removed from any actuarial

knowledge, but with a keen appreciation of the fact that 100 cents make a dollar—let that sink in a minute.

THE CHAIRMAN: I know it.

MR. EDWARDS: I want to touch for a moment, if I may, on the matter of policy loans. It was discussed some two years ago in a large national gathering of insurance men as to the advisability of early cash values and loans. I believe one of the greatest crimes ever committed against life insurance as an institution and against policyholders as a class has been the result of competition between companies for a selling contract, something that would go, as I sometimes read in the prospector's advertisement, like "hot cakes," on the part of some new company that has gotten up a so-called specially advantageous contract.

I remember once saying to the official of a life insurance company that I believed that the liberality of policy contracts had extended to the point where they were ridiculous; that we had to tease and beg and cajole men by promises entirely gratuitous and unnecessary in order to get them to take life insurance, and the last of these was the conclusion of 100 per cent. loan value on the reserve; and if there was one conclusion that was unhappy in the Armstrong laws, it was that there was set down in the statutes of this State and adopted generally, if not conclusively, by all life insurance companies operating in the United States, the fact that the loan value or the cash surrender value was the most important thing about a policy.

Mr. Chairman, does it reflect in your mind an unfavorable and unhealthy condition in life insurance when there is at least more than one company that has policy loans of over fifty millions of dollars, when there are policy loans aggregating possibly six or seven hundred millions of dollars, that will probably approach in the next three or four years a billion dollars, that is counted as life insurance, that is paid for as life insurance, but is not life insurance? Now I suppose my actuarial friend will tell me that is life insurance, nevertheless; but the man has anticipated the value of his policy, he has taken and put into his bank account or somebody else's, a large portion of the reserve value, he pays the company five per cent. interest thereon, which I think is a fair rate of interest—it may be open to discussion—but in addition to that he is paying say an average of \$35 a thousand for his insurance, insurance which he hasn't got, insurance which he has anticipated and drawn in cash

and spent or lost somewhere else. Thereby the man is paying five per cent. interest on the loan, and \$35 per thousand for the \$1,000 insurance which he hasn't got. He is actually paying eight and a half per cent. interest for the loan which he has secured, and which he, through some hopeful but mistaken idea, thinks he will some time be able to pay back. From my own experience I cannot count more than eight or ten men who have secured loans through the particular agency with which I am connected who have paid them back.

It seems to me that is a great economic question, that question of whether life insurance companies are warranted in carrying on their books a billion dollars of life insurance which is not insurance, which has been anticipated and paid to policyholders, and which will never be restored to the condition of life insurance except possibly to the extent of one-hundredth of one per cent.

If I may have another moment, I would like to refer to one further matter—that is the subject of twisting. I think I said yesterday that I had made myself somewhat unpopular, even with some of my closest friends, on the subject of anti-twisting some four or five years ago. In these later days the subject of anti-twisting has been accepted as a principle of life insurance, and together with that, the collateral suggestion that the twisting of agents is unfair and unreasonable. I go further, sir. If there is anything in this program of yours for the prevention of waste, it does seem to me it should go so far as to include in the principle of conservation, the conserving of that ability, that capacity, that energy, which is the first element in life insurance, and that is the agent. For, let me tell you, when an agent is disturbed by any process, whether it be circularization, such as President Childs spoke of, or through some other channel of continuous effort to discourage a faithful and loyal agent from the company to which he has given his service—and I am speaking as a life insurance man from my heart when I say I serve an ideal—that 90 per cent. of the life insurance men in the field serve an ideal, just as every man in the Metropolitan serves an ideal in the magnificent personality of their chief, as every man in my company and the agent of every company serves the ideal that is set as a monument for all men to witness in the home office of his company. Therefore I say, sir, there is a moral defect as well as an economic loss, in the lack of principle which will induce a life insurance manager or general agent to systematically and persistently endeavor to dislodge from his field of usefulness a man who has grown up in that field, become related to it through the education,

the assistance, possibly financial, that he has gained in that relation, whereby he may be translated to a selfish field and some other party unrelated to his education or success may secure that selfish interest.

MR. WALTER P. CORBETT, Manager, at Jacksonville, Fla., for Prudential Insurance Company: Mr. Chairman—I am just on a little trip of a hundred miles or so, at my own expense, for my own benefit. I want to say, however, that it is well worth the price of admission to come and be in this presence for just a few minutes, and to hear two or three men who are now the heads of great companies, whom I remember, in my short life of 25 years in the business, as life insurance agents. It encourages me not to make you any suggestions, but to fetch you an appeal from the field.

I do not believe that there is a business in the world which has been so signally and specifically careful in its selection of presidents and executives as the great American life insurance companies. Your charters make you delegate your authority in the field. I bring you this appeal: Exercise the same care in putting your field managers among other people as your boards of directors exercise in their selection of presidents. When you have done that, you will have solved many of the riddles of lapses and twisting of agents or policies, because, when you can give so much of your own personality and your own high sense of duty to your agent in the field, it leads you among the people who become the legislators, who, in turn, make your laws. They fix the per capita and premium tax on your business. Select such men who occupy the same sphere, in their respective communities, that you occupy in your own, and they can get the unhired, unpaid ear of the man that is going to make that law. I bring you an appeal to elevate your field force. (Applause.)

DR. LEE K. FRANKEL, Assistant Secretary, Metropolitan Life Insurance Company, New York: It is well enough for us to say that we have been in business for 50 or 60 odd years in the United States; that we have amassed millions of assets, but the question I would like to put to you to-day is this: Does the public in the United States to-day know anything about the fundamentals of insurance?

Have we ever attempted to put the whole proposition of insurance which in its last analysis is comparatively simple in such form that the insuring public understands it? Is it not a fact, after all, that what we are met with as a rule is not only indifference but incredulity? The average insuring man does not understand the thing that

is put up to him. I do not come here in a spirit of criticism, but as a layman rather than as an insurance man, and I put to you the question: Have we used all the agencies in our power to give insurance education to the public at large so as to make the work of the agent easier than it is at the present moment? We speak of insurance being an institution for the home. Have we educated the home? Presumably we have educated the policyholder. Have we attempted to educate his wife, the main factor in the home, the one who is the beneficiary in his policy? Have we attempted to educate the child? In the public schools of Germany to-day children are being educated not only regarding life insurance, but accident insurance, old age insurance and sickness insurance. In other words, the wise German has by placards, by charts, in the simplest possible fashion, worked out a scheme of insurance education that begins with the child in the school. The entire system of education has been based upon a system that leads people to believe and to recognize that insurance is one of the things that people have got to attend to in this world. The whole thing that I am trying to bring out here is simply this: that if we take the people as we find them, if we attempt by popular means to educate them—and education has been the keynote, it seems to me, of these conferences—the people will realize they have to have insurance equally as much as bread. Let me cite to you—and I trust you will pardon me for bringing in a personal allusion—one instance of how this can be done.

Last year when the Owen Bill was before Congress, the Metropolitan deemed it advisable to foster the movement for a Federal Department of Health, believing that it was distinctly along the lines of public policy. The vast majority of the Metropolitan policyholders, as you know, are industrial policyholders. They represent practically every nationality under the sun. In fact, the literature of the company has to be published in ten languages to meet their needs. In the belief that these people knew what they wanted and that they were able to recognize what was for their good, they were asked through the medium of literature placed in their hands to invite their Congressmen to advocate the betterment of public health as planned by the Owen Bill. As the result of that campaign hundreds of thousands of requests reached Congress, and we have in our office the letters of representatives and senators pledging their support to a National Health Bureau.

You, too, have an army back of you. You have an army of policyholders whom you can interest and whom you can raise to enthusi-

asm. What, after all, is the strength of the entire fraternal movement? It is the fact that men are bound together because they have something in common. If the insurance movement is to develop along right lines it has to introduce some idea of the fraternal movement. We must bring our policyholders together in groups and by educating them regarding the work we are doing secure their co-operation and their hearty support. When you can do that you are making the work of your agent more easy. Then you will be able to send him out as a missionary and more readily secure the signature on the dotted line. (Applause.)

THE CHAIRMAN: Gentlemen, among our guests is Mr. John A. Tory of Toronto, Ontario, representing the Life Underwriters' Association of Canada. If he is in the room we will be very glad to hear from him.

MR. JOHN A. TORY, Vice-President, The Life Underwriters' Association of Canada: Mr. Chairman—I am sure it was the farthest thought from my mind, until half a moment ago, that I was to be called upon. I am glad, however, of the opportunity, as I wish to thank Mr. Cox, the general manager and counsel, on behalf of the Canadian Life Underwriters, for the privilege of having a delegate or representative at this great gathering, which no doubt will be of great benefit to life insurance.

It has been an inspiration to me, as an active fieldman, to listen to the magnificent papers and addresses, and also the general discussion we have had this afternoon as to the conservation of life insurance. Will you allow me to say, Mr. Chairman, that the bringing together of the different forces of life insurance, not only the presidents and managing directors, but the field men, is a great thing for the business, and will tend to uplift, and perhaps even reduce the cost. There is one thing, however, upon which I would like to touch for just a moment, which was referred to by Mr. Edwards, and which will, in my opinion, do much to reduce the cost of life insurance. That is—if the companies could invent or devise some means for the prevention of switching agents from one company to another. I do not believe we realize the importance of this. There is growing up in this country and in Canada a feeling among the fieldmen that their interests would be best served if we could get them to thoroughly understand it was to their advantage to remain loyal to the company with which they started, provided it was a good company. Now if this is true of the insurance fieldman, it must certainly be true of the policyholder. If it is to the advantage of the fieldman to remain

with a company it is also to the advantage of the company. I was very much interested in the remarks of a gentleman here this afternoon. I do not know the company he represents, but he told us that the companies must put their arms around the agents, and do great things for them. Mr. Chairman, speaking as a fieldman, I can truly say that all the fieldman asks is—a square deal. I wonder if we realize that in the last two years there have been perhaps 50 new companies organized in the United States and Canada. I think you will agree with me that the field staff of these new companies is very largely composed of men who have come from the older companies. In many cases they have been switched at a temporary gain but at a permanent loss to the fieldman, the company he formerly represented and his former policyholder, for, Mr. Chairman, in many cases, as soon as an agent is switched from one company to another, he starts to switch his former business. This means a loss not only to the policyholders, but to the company, and therefore tends to add to the cost of life insurance. I would like to see a better feeling existing among the life insurance companies; an understanding that they would not only prevent the switching of policies, as has been referred to here this afternoon; but the switching of the fieldman also, and, gentlemen, if, as I have stated before, you can bring about a permanent agreement between the companies as to the switching of business and agents, you will have accomplished a great deal towards the reduction of cost of life insurance.

Mr. Chairman, I thank you.

MR. J. L. ENGLISH, Vice-President, Aetna Life Insurance Company, Hartford, Conn.: Mr. Chairman—What I have to say to you will be based principally upon a few figures which I am going to give you. In the first place, let me say concerning this question of the lapses of policies, that I suppose this term includes “surrenders,” as they are technically known, for lapses and surrenders are both really lapses. I see that there was 714 millions of life insurance lapsed in the year 1910. This seems like a great loss, as it is indeed an economic loss, a loss both to the company and to the policyholder. But that is not so remarkable, because there is scarcely any business running that does not have some shortcomings, that does not show some failures of the original intention to carry through any part of its project, and I am going to show a little more along that line here.

I have selected sixteen of the largest companies doing a regular business, not including the industrials, and find that in the year 1880,

going back to the time before cash surrender values were known in the business, the lapses were about 41 per cent. of the business issued in the year. In other words, it took 41 per cent. of the new business issued to replace the loss by lapse. You will all remember that before cash surrender values were introduced, there was a great fear that they would serve to cause the lapse of policies; that men would be induced in times of financial pressure, to give up their policies because of the cash they could realize from them. I am going to show here that it does not appear that that fear has been realized in practice.

In the year 1885, five years later, this percentage of lapse to new business issued the same year had fallen to 32. In 1890, still before cash surrender values were in vogue, this percentage had fallen to 27 per cent. In 1904, the last year before the disturbance occasioned by the New York Investigation, the percentage was still 27 per cent. But in 1906, when the public mind was very much disturbed by the action of the investigation, and more still perhaps by the remarkable articles which were appearing in the newspapers and magazines upon this subject, the percentage of lapse to new business issued was 55. In 1907 it had fallen to 48, and in 1910 to 38.

But still more interesting percentages are found in the percentage of lapse to the total insurance in force at the beginning of the year. This in 1880 was 5.3 per cent., in the year 1885, 6.3; in 1890, 7.5; in 1904, just before the investigation commenced, it had fallen to 4.8 per cent. In the year 1906, while this investigation had been in progress for something like a year, and when, as I stated, the public mind was very much disturbed on the subject, and a great many people were being led to believe that the life insurance business was not being properly managed, and their confidence in it had been considerably impaired, the percentage of lapse to policies in force at the beginning of the year was only five per cent. In 1907, when this excitement had abated to some extent, the percentage fell to four per cent., and it was four per cent in 1910. This would look like a fairly uniform percentage of lapse, and taken as a whole, it might appear to indicate a feature of the human mind, that vacillating feature which does belong to a great many minds, and this might seem to be a fair percentage of that class of minds—but when I come to examine the statistics of the companies individually, and what was perhaps more important, an examination of the figures of the different agencies of the company with which I am connected, this idea does not seem to be carried out—as a law of human nature—but it ap-

pears that the lapses and surrenders are due more to the individuals not having been properly and thoroughly insured. The fault lies at the beginning, apparently, that the insured did not get thoroughly converted to the spirit and idea of life insurance. They were shown how it would work. It appealed to their minds, and in a great many cases it did not appeal to their hearts, and when the demand came and they wanted some money or they heard somebody speak disparagingly of life insurance, they let it slide. That is the case with a good many of them; not of most of them, however, because as you see, these percentages are comparatively small. I think, perhaps, the whole body of insured men might in this particular be fairly divided into three classes.

First, those who are thoroughly insured, who have become thoroughly converted to the life insurance idea, to not only the importance, but the necessity of having their fortunes protected in this way and the future of those dependent upon them, protected by life insurance, and having become so converted, having recognized the importance of this protection, they entered upon an enterprise from which they did not lapse.

The second class would be those who are intellectually converted and for the time being think very well of life insurance, and who take a policy; and after they get out from under the influence of the agent, and after his eloquence and persistence have faded away, they allow the policy to lapse. From this class come most of the lapses and surrenders.

Then I think there is another class that did not become converted at all, that do not have any clear idea of the value of insurance or the need of it in their lives and in the lives of their families, and while they sign the application, when the policy comes around, they do not pay the first premium, and it results in their not taking the policy.

But as you see from these figures, most of the men were pretty well insured. Let me say that in these figures of lapses the percentages among the younger insured were very much greater than among the older. In our own experience I have found that from the ages 15 to 29 the lapse after the first year's premium was paid, before a second was paid, was 36 per cent., and in the second year 10 per cent., the third year six per cent., and so on down to a permanent rate of 1.5 per cent. At the ages 30 to 49 these percentages were as follows: 26 per cent. after one year, 7 per cent. after two years, and so on down to a permanent percentage of 1.2. While at

ages 50 to 65 the percentage of lapse after only one year was 18.2, just one half of what it was at ages 15 to 29. This shows that those who have become thoroughly insured, as I say, the older men who have given the subject the benefit of their study and experience and who took the insurance because it was a business matter and because they needed insurance and had been converted to it, lapsed in the smallest percentage. It seems to work a good deal as it does in religion. We know that the men who are converted under the stress of religious excitement in revivals are oftentimes found to be the soonest to backslide, and these lapses and surrenders are of the same nature. The men thought they were converted—some of them for the time being—but they found out or others found out after a little while that they began to backslide as soon as they got out of the influence of the agent or life insurance evangelist, for such the life insurance agent is. Now the only remedy for this condition of things appears to me to be this, that we should take more pains to thoroughly insure our people, to have them thoroughly understand the subject intellectually and have them appreciate it from the ground up.

They should know all about it and take hold of it as a business proposition, which is comparatively worthless to them if they are going to let it lapse under the stress of a little temptation. A number of years ago we used to have what are called lightning solicitors. I do not believe we want any more of them, because the bearing of their business upon this topic is quite an important one. The men who are influenced to insure under a feeling of excitement and by specious pleas that prove to be more or less incorrect, as time goes on, that kind of business is a business that is going to fall away from us and be a discredit to the companies. They will be the men who speak unfavorably of life insurance. (Applause.)

THE CHAIRMAN: Gentlemen, I will mention the name of just one more man from whom it would give us great delight to hear—John M. Taylor of the Connecticut Mutual. (Applause.)

MR. JOHN M. TAYLOR, President, Connecticut Mutual Life Insurance Company, Hartford, Conn.: Mr. Chairman and Gentlemen—It was not my thought to take any part in this discussion to-day, but I should be wanting in courtesy to the Association and the kind invitation of Mr. Cox if I did not say a few words. In my brief experience of 40 years in this business I have never listened to a finer

talk on life insurance than fell from the lips of Judge Day this afternoon. I am going to borrow four words from what he said for my text, and the sermon will fall well within the ten-minute limit, and that is "borrowing from the reserve." I presume you all recall the beginning of this anomaly in life insurance. Thirty years ago one of the best companies in the United States, then and now, let it quietly be known among its agents that the company would make loans on its policies. Four years later it put forth to the world what it then called "a perfected policy," and went so far in the hazard as to say boldly that it would loan 50 per cent. of the reserve on it to policyholders. That was the genesis of this menace to our interests, and the Lord knows what the end is going to be. One of the most unfortunate things that has ever happened in the history of inimical life insurance legislation was that statute written in the Acts of New York up at Albany in 1906, which compelled your companies and all companies doing business in this State to make loans upon their contracts. Nine States of the Union, gentlemen, have followed that precedent, and we must comply with the law if we are going to transact business in those States. That law may be unconstitutional. Suppose it is, and it is so declared. But like the statute preventing the removal of causes to the Federal Courts, which has been declared unconstitutional in ten cases in the United States Supreme Court, there is the final umpire, the Insurance Superintendent or Commissioner, who, despite the unconstitutionality of the law, says to the non-State company "comply with it or I will cancel your license." So we are perfectly helpless so far as declining to make these loans upon that class of contract in certain States is concerned.

We all know too well by experience the objections to this class of obligations. They are written in our everyday history; they stand square across the true interests of every life insurance policy that is written. They bring nothing but chagrin and disappointment and distress to widows and children, when the agent comes with the draft in hand to settle the father's obligation or protection of five or ten thousand dollars, and takes out four or eight thousand of it and leaves them a pittance. And under the present so-called privilege of changing the benefit at the option of the insured, these people frequently have no knowledge of the transaction.

Just a word about our own experience, and I have done. We have been very conservative in this matter. We refused all requests and all importunities to make a loan upon a policy until the first day

of October, 1904. That our people have been very appreciative of their protection is shown from the fact that on the first day of this month we had loans outstanding only on 7,842 policies out of 76,000, for five and a half million of dollars on only twenty-one millions of insurance. And I am mighty thankful we did not have any more. We brought that about largely by appeals to our people not to ask us for these accommodations, to call a halt and confine them to their necessities. And they have heeded those appeals and our warnings. We have repeatedly in every report which we have had to make to them pursued that course.

What are the remedies? In the presence of four hundred and thirty-eight millions of dollars invested in policy loans, it seems absurd to say stop loaning. But I say to you gentlemen, if this tide keeps rising we shall all have to stop doing that thing just as certain as the sun rises.

There is another remedy that has been hinted at this afternoon, and that is to raise the rate, which is perfectly feasible, in every State of the Union. But I think there are two methods, one of which we pursue, that are practicable. One is to induce your own people to call a halt on these accommodations, and the other is to instruct your representatives to discourage them whenever those requests are presented.

Down yonder at the foot of the Island in October, 1907, when things were pretty hot, as some of you remember, there was a policyholder of ours in this city who had two paid-ups for \$5,000 each. And a friend of his came to him in trouble and said: "If you will let me have some money I will pay you 15 per cent. per annum." He thought it would be a good thing to come up to Hartford, borrow all he could on those policies at five per cent. and lend at 15 per cent.; it was a good business transaction. So he came up and we figured it up and he made his policy obligations and delivered his policies and went away with about \$6,000 or \$7,000. The next afternoon a man sent in his card bearing the same name, and said he was a son of the man who had been there the day before. After the policyholder went back home that night with the drafts in his pocket and the money to accommodate his friend, and got to thinking if he should lose it, he did not know what would happen to his wife and young children, he did not sleep a wink. And he asked his oldest son if he would not come up to Hartford and ask us to put the policies back on the register and take back our money, and we did it. I wish that all policyholders had had a like experience.

Briefly, with that thought, these are some of the things that have come to me, and I hope that perhaps what some of us have listened to this afternoon will not meet the fate that befell the young Scotch advocate in the Scottish Court of Appeals. The Chief Justice was very impatient with the younger members of the Bar, and he was of a sour and dour composition; and in the middle of the young advocate's argument on a very important case to him, he leaned over the bench and he said, "Do you see me?" The young advocate says, "Yes, my lord." "Well," he says, "what you are saying goes in there and out here" (indicating his ears). He says, "Yes, my lord, I see nothing to prevent it." (Laughter and applause.)

THE CHAIRMAN: Now, gentlemen, just one brief word from a gentleman from whom we are always glad to hear, and his name is Cox. (Applause.)

MR. COX: I never sit in front of an audience like this when reference is made to the work of the Armstrong Committee that I don't feel that nearly every eye in the room is upon me at once, wondering how I feel about it and in what way I am likely to take the criticism that is sometimes directed at the laws enacted by that Committee. I do not know but what, as a closing thought, I might frankly confess to you on that question. I don't resent it, because I know better than any one else here perhaps that most of the work of that Committee was done under pressure, and resulted in several mistakes. I don't try to defend these mistakes because it isn't proper that I should do so; but I do try to take home to myself the lesson taught by permitting the growth of evils such as led to the Armstrong investigation and whatever legislative follies resulted therefrom. Should not insurance men see for themselves before it is too late some of the clouds that rise above the horizon, and undertake to meet them themselves? There are men in this room who knew that the work of that Committee had to come. They had been prophesying it for years, but did they do anything to stay the hand? And, finally, it was up to the legislature with all the power that is behind every legislature in this country to take a hand in the situation. It had to be done by men who were not insurance men and who had to gain their entire knowledge of the insurance business within a very few weeks and under very adverse conditions. Now such a situation may arise in the future, and why shouldn't we, as insurance men, take that lesson home to ourselves and see to it that practices which are going

to lead ultimately to the injury and perhaps destruction of the business be discontinued? That, I think, is a thought that might well be taken away from a meeting like this. If we see evils facing us, as we apparently do see them now, must we sit by and wait until somebody else forces reform upon us, or shall we take it in hand ourselves? I have heard this afternoon some criticism of the agent, and I wish to say that my sympathy runs to him, because he is usually the victim of pressure from the home office. Policies, which are said to sell "like hot cakes," are put into his hands with instructions to sell; sell honestly, if he can, but in any event or somehow to sell. We should not blame him alone for twisting and other pernicious practices when we know we are continually putting pressure upon him, which is very likely to result in improper practices on his part. The responsibility naturally comes back to the home office, to the executive officers, and we must be prepared to assume it as executive officers.

I was much interested to-day in the address of Dr. Gulick, in which he suggested that if we could succeed in getting 10 per cent. of the people to think along the same line at the same time it would be regarded as a tremendous wave of popular opinion. If that be true, our path seems to me to be fairly clear. Educating the public regarding our business is not much of a task. Sometimes we think we have to educate the entire populace to our way of thinking. That is not true. I believe Dr. Gulick is quite right. Get ten per cent., aye five per cent., to think with us, and we will accomplish wonders in the way of bettering the business of life insurance. So finally, lastly, and always, co-operation is what we require to accomplish what is needed for our common good. We must rid ourselves of the selfishness which in the past has really brought on most of the ills from which we have suffered.

In conclusion, gentlemen, I wish to express both officially and personally our appreciation of the attendance at this convention. It has been our largest meeting and we are most grateful for your presence—every one of you. We are glad to have you here once a year; we wish you might be with us 365 days in the year. The best I can say to you now is that if you cannot come before, come a year hence and attend our next annual meeting.

THE CHAIRMAN: Is the committee on resolutions ready to report?

MR. HEPPENHEIMER: Yes, sir. Mr. Chairman, on behalf of the

committee on resolutions, I desire to offer several resolutions which have had the careful consideration of the committee, and which it recommends for adoption.

The following resolutions were thereupon read and each duly seconded and carried unanimously without discussion:

Resolved, That the cordial thanks of this body are hereby tendered to the Manager of the Association of Life Insurance Presidents, the Honorable Robert Lynn Cox, and to his estimable coadjutors, Messrs. Hurrell and Brinkerhoff, for the very able manner in which the arrangements for this convention have been conceived and consummated; especially in securing the services of the distinguished body of men who, by address and discussion, have made notable this fifth annual meeting.

Resolved, That this meeting hereby express its appreciation of the work of those gentlemen who have so ably and interestingly addressed us during the present convention, and its sincere and hearty thanks for the various inspiring and illuminating addresses which have been delivered, and that a cordial vote of thanks be accorded to the many distinguished leaders in the business and profession of life insurance who have honored us with their presence.

Further Resolved, That an earnest invitation be extended to them to be with us at future meetings.

Resolved, That a sum not to exceed \$5,000 be appropriated for the purpose of equipping the Health Bureau of the Association for further and more aggressive activities in the cause of preventing disease and prolonging lives, expenditures in this direction to be on plans to be laid down by the Life Conservation Committee.

WHEREAS, The National Convention of Insurance Commissioners at its meeting in New York this week joined with the many forces now interested and at work in conserving the health of our American people by adopting a very appropriate resolution relating to that matter; now, therefore, be it

Resolved, That this Association commends the action of the Insurance Commissioners and adds its hearty endorsement of said resolution, which reads as follows:

"That the loss of life, due to preventable diseases and accidents in our Country, causes great economic waste to our people there can be no doubt. That the conservation movement, which has long occupied the minds of the people, when generally extended to include the conservation and protection of life, will ultimately reduce the cost of life insurance is certain.

Now, Therefore, Be It Resolved, That the Insurance Commissioners of the United States in National Convention assembled, in the interest of all persons carrying life insurance and of the general

public, do urge the support of proper efforts to conserve human life.

"That we do urge all persons carrying life insurance to give aid and encouragement to public health officials charged with the prevention of disease and waste of human life.

"That we pledge our hearty support to all worthy movements for sanitation and the creation and improvement in efficiency of Boards of Health and other like agencies for the Conservation of Health and Life."

WHEREAS, The business of life insurance has been disturbed and unsettled by the activities of those unscrupulous agents who, unable, apparently, to get new business on the merit of what they have to offer, indulge in the reprehensible practice of "twisting" policies of life insurance, whereby a policyholder in one company is induced through misrepresentation or misleading comparisons to surrender or lapse a policy which he holds and to substitute therefor a policy in another company, or to exchange one form of policy for a different form which he is falsely induced to believe offers better advantages; and,

WHEREAS, Such substitution of policies results in (1) a pecuniary loss to the policyholder of a portion of the reserve on his policy which is forfeited as a surrender charge; (2) an economic loss, in that double commission and other acquisition expenses must be paid on the same risk; (3) impairing the policyholder's confidence regarding the system of protection which legitimate legal reserve companies maintain; and (4) engendering ill feeling among agents of competing companies to the detriment of the business as a whole; now, therefore, be it

Resolved, That the Association of Life Insurance Presidents in annual public convention assembled, condemns the practice of twisting insurance from one legitimate company to another as highly injurious to the efficiency and repute of the institution of life insurance, and recommends (1) that all companies make a special effort during the coming year to warn their policyholders of the evil and losses which result therefrom; (2) that agents be instructed that business will not be accepted which is designed to replace a policy in any reputable legal reserve company; (3) that companies specify in their agency contracts that "twisting" will be such a violation of the same as to result in a forfeiture thereof; (4) that existing laws prohibiting "twisting" be heartily commended and their extension be recommended.

WHEREAS, The term "Dividends" as used in connection with life insurance policies is misleading in that it tends to create an impression in the mind of the public that the moneys represented in the so-called "dividends" are earnings or profits in the ordinary commercial sense, and hence to a misunderstanding of the system by which the companies doing a mutual business return to their policyholders that

portion of the premiums which experience demonstrates is not needed to carry the risk; and,

WHEREAS, The popular misunderstanding is reflected in measures for the excessive taxation of the premium income of all life insurance companies on the mistaken theory that they are institutions for profit; now, therefore, be it

Resolved, That it is the sense of this convention that each member of the Association be requested to forward to the General Manager a proposed term more correctly describing the fund in life insurance which has hitherto been known as "dividends," in order that the Association may select and recommend one for general use.

The following report from the Committee on Motions and Resolutions was, upon motion, duly seconded, unanimously adopted:

The Committee on Resolutions having had presented to it the following form of resolution, recommends that action on the same by the Association be postponed to its next regular meeting, and that meantime notice of the same with a copy of the resolution be forwarded to each member:

"The President having in his message to Congress recommended legislation permitting corporations transacting interstate business to become incorporated under an appropriate law containing provisions for their suitable regulation,

"Resolved, That it is the sense of the members of this Association that the advantages of such legislation should include insurance companies as well as other corporations, and that the counsel of this Association be requested to advocate such inclusion before the Committee of Congress to which that portion of the President's message may be referred."

On motion, unanimously carried, the convention thereupon adjourned.

ATTENDANCE OF MEMBERS AND GUESTS, AS SHOWN BY REGISTRATION LIST.

REPRESENTATIVES OF LIFE INSURANCE COMPANIES.

- AETNA LIFE INSURANCE COMPANY, Hartford, Conn.:
 J. L. English, Vice-President.
 Walter C. Faxon, Vice-President, Accident and Liability Department.
 Frank Bushnell, Agency Secretary.
 M. H. Peiler, Associate Actuary.
- AMERICAN ASSURANCE COMPANY, Philadelphia, Pa.:
 R. R. Koch, President.
- AMERICAN CENTRAL LIFE INSURANCE COMPANY, Indianapolis, Ind.:
 M. A. Woollen, President.
 George E. Hume, Treasurer.
- BANKERS LIFE INSURANCE COMPANY OF NEBRASKA, Lincoln, Neb.:
 J. H. Harley, Secretary.
- COLONIAL LIFE INSURANCE COMPANY OF AMERICA, Jersey City, N. J.:
 E. J. Heppenheimer, President.
 Dunbar Johnston, Secretary.
 John Nevin, M.D., Medical Director.
- CHICAGO AND MID-WEST LIFE INSURANCE COMPANY, Chicago, Ill.:
 Theo. F. Ruhland, President.
- COLUMBIAN NATIONAL LIFE INSURANCE COMPANY, Boston, Mass.:
 Arthur E. Childs, President.
 William C. Johnson, Vice-President and General Manager.
- COLUMBUS MUTUAL LIFE INSURANCE COMPANY, Columbus, O.:
 C. W. Brandon, President.
 N. G. Spangler, Member of Board of Directors.
- COMMONWEALTH LIFE INSURANCE COMPANY, Louisville, Ky.:
 J. D. Powers, President.
- CONNECTICUT MUTUAL LIFE INSURANCE COMPANY, Hartford, Conn.:
 John M. Taylor, President.
 Henry S. Robinson, Vice-President.
- DES MOINES LIFE INSURANCE COMPANY, Des Moines, Iowa:
 John A. McKellar, Second Vice-President.
 Wilmot A. Harbach, Secretary.
 W. S. Donahey, Auditor.
- EMPIRE LIFE INSURANCE COMPANY, Atlanta, Ga.:
 S. C. Callaway, Vice-President.
- EQUITABLE LIFE ASSURANCE SOCIETY, New York, N. Y.:
 W. A. Day, President.
 George T. Wilson, Second Vice-President.
 Dr. Alexander C. Humphreys, Member of Board of Trustees.
 William Alexander, Secretary.
 C. E. Phelps, Treasurer.
 Robert Henderson, Actuary.
 Gerald R. Brown, Comptroller.
 C. J. Martin, Deputy Comptroller.
 Leon O. Fisher, Auditor.
 E. E. Rittenhouse, Conservation Commissioner.
 Henry L. Rosenfeld, Insurance Assistant to the President.
 Dr. F. C. Wells, Medical Director.
 T. H. Rockwell, M.D., Medical Director.
 John Nordhouse, Secretary to the President.
 A. R. Fullerton, Assistant to the Vice-President.
 J. V. E. Westfall, Superintendent Bureau of Statistics.
 William J. Graham, Western Superintendent.
 E. O. Mosier, General Agent, Philadelphia, Pa.

- FEDERAL LIFE INSURANCE COMPANY, Chicago, Ill.:
Isaac Miller Hamilton, President.
- FIDELITY MUTUAL LIFE INSURANCE COMPANY, Philadelphia, Pa.:
H. H. Fouse, Secretary.
- FRANKLIN LIFE INSURANCE COMPANY, Springfield, Ill.:
Edgar S. Scott, President.
- GERMAN-AMERICAN INDUSTRIAL INSURANCE COMPANY, Philadelphia, Pa.:
Samuel Enion, President.
Henry Reeves, Vice-President.
- GERMANIA LIFE INSURANCE COMPANY, New York, N. Y.:
John Fuhrer, Actuary.
Robertson G. Hunter, Associate Actuary.
- GREAT WEST LIFE ASSURANCE COMPANY, Winnipeg, Manitoba:
Jeffrey H. Brock, Managing Director.
- HOME LIFE INSURANCE COMPANY, New York, N. Y.:
George E. Ide, President.
Henry Moir, Associate Actuary.
H. N. Sheppard, Assistant Actuary.
- HOME LIFE INSURANCE COMPANY OF AMERICA, Philadelphia, Pa.:
John Langham, Jr., President.
- JEFFERSON LIFE INSURANCE COMPANY, Oklahoma City, Okla.:
T. J. McComb, President.
Lester B. Gum, Member of Board of Directors.
- JEFFERSON STANDARD LIFE INSURANCE COMPANY, Raleigh, N. C.:
P. D. Gold, Jr., First Vice-President and General Manager; also President of the American Life Convention.
- LAFAYETTE LIFE INSURANCE COMPANY, Lafayette, Ind.:
Bertram Day, President.
J. R. Duvall, Agency Manager.
- LIFE INSURANCE COMPANY OF VIRGINIA, Richmond, Va.:
John G. Walker, President.
- LINCOLN NATIONAL LIFE INSURANCE COMPANY, Fort Wayne, Ind.:
Samuel M. Foster, President.
Arthur F. Hall, Secretary and Manager.
- MANUFACTURERS LIFE INSURANCE COMPANY, Toronto, Ont.:
George A. Somerville, General Manager.
- METROPOLITAN LIFE INSURANCE COMPANY, New York, N. Y.:
John R. Hegeman, President.
Haley Fiske, Vice-President.
George H. Gaston, Second Vice-President.
George B. Woodward, Third Vice-President.
F. O. Ayres, Fourth Vice-President.
F. H. Ecker, Treasurer.
James M. Craig, Actuary.
William J. Tully, General Solicitor.
James V. Barry, Assistant Secretary.
Lee K. Frankel, Assistant Secretary.
A. S. Knight, M.D., Medical Director.
Thomas H. Willard, M.D., Medical Director.
Dr. J. B. Ogden, Assistant Medical Director.
I. J. Cahen, Manager, Ordinary Department.
Luther B. Little, Manager, Publication Division.
S. M. Burbank, Superintendent of Agencies.
J. P. Bradley, Superintendent of Agencies.
- MICHIGAN STATE LIFE INSURANCE COMPANY, Detroit, Mich.:
Arthur Jones, Vice-President.
- MUTUAL BENEFIT LIFE INSURANCE COMPANY, Newark, N. J.:
A. H. Paddock, Agent, New York City.
- MUTUAL LIFE ASSURANCE COMPANY OF CANADA, Waterloo, Ont.:
George Wegenast, Managing Director.

- MUTUAL LIFE INSURANCE COMPANY OF BALTIMORE, Baltimore, Md.:
Matthew S. Brenan, President.
- MUTUAL LIFE INSURANCE COMPANY, New York, N. Y.:
William Frederick Dix, Secretary.
Frederick L. Allen, General Solicitor.
W. A. Hutcheson, Actuary.
W. W. Stevenson, Comptroller.
- NATIONAL LIFE INSURANCE COMPANY OF U. S. A., Chicago, Ill.:
A. M. Johnson, President.
- NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY, Boston, Mass.:
Alfred D. Foster, President.
- NEW YORK LIFE INSURANCE COMPANY, New York, N. Y.:
Wilbur H. Pierson, Assistant Secretary.
James H. McIntosh, General Counsel.
Morris Lee King, M.D., Medical Director.
- NORTH AMERICAN LIFE INSURANCE COMPANY OF NEWARK, Newark, N. J.:
Dr. George C. Hall, Medical Director.
- NORTH AMERICAN LIFE ASSURANCE COMPANY, Toronto, Ont.:
L. Goldman, Managing Director; also President of Canadian Life Insurance Officers Association.
- NORTHERN LIFE ASSURANCE COMPANY OF CANADA, London, Canada:
T. H. Purdom, President.
- OHIO STATE LIFE INSURANCE COMPANY, Columbus, O.:
Lewis C. Laylin, President.
- PACIFIC MUTUAL LIFE INSURANCE COMPANY, Los Angeles, Cal.:
Gail B. Johnson, Vice-President.
- PENN MUTUAL LIFE INSURANCE COMPANY, Philadelphia, Pa.:
F. H. Garrigues, Mathematician.
- PHILADELPHIA LIFE INSURANCE COMPANY, Philadelphia, Pa.:
A. J. Maloney, President.
- PITTSBURGH LIFE AND TRUST COMPANY, Pittsburgh, Pa.:
W. C. Baldwin, President.
F. C. Parsons, Comptroller.
- POSTAL LIFE INSURANCE COMPANY, New York, N. Y.:
Eugene Fisk, M.D., Medical Director.
- PROVIDENT LIFE AND TRUST COMPANY, Philadelphia, Pa.:
J. Thomas Moore, Manager of Insurance Department.
- PRUDENTIAL INSURANCE COMPANY, Newark, N. J.:
Richard V. Lindabury, General Counsel.
Edward D. Duffield, General Solicitor.
John K. Gore, Actuary.
F. H. Johnston, Associate Actuary.
Frederick L. Hoffman, Statistician.
George P. Williams, Assistant Secretary.
Willard I. Hamilton, Assistant Secretary.
Valentine Riker, Assistant Secretary.
William Perry Watson, M.D., Associate Medical Director.
Walter A. Jaquith, M.D., Assistant Medical Director.
George W. Rouzer, Secretary to the President.
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