

FIRST SESSION.

OFFICIAL REPORT

OF THE PROCEEDINGS OF THE

NATIONAL
INSURANCE CONVENTION

OF THE UNITED STATES,

HELD IN THE CITY OF NEW-YORK, MAY 24TH TO JUNE 2D, 1871.

WITH PREFACE AND APPENDIX.

COMPILED BY

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OFFICE OF THE CONVENTION, Nos. 156 AND 158 BROADWAY, NEW-YORK,
WHERE ALL COMMUNICATIONS SHOULD BE ADDRESSED.

HISTORICAL PREFACE.

THE convocation of those officials who are severally charged by law in twenty states with the supervision of insurance affairs, so clearly marks an epoch in the history of this great commercial interest, and the action of the convention promises to exercise so controlling an influence over its fortunes, that the occasion seems a proper one to take a brief retrospective view, and present to the general reader such facts as will contribute towards the formation of a proper judgment of the gravity of the subject. The compiler hesitated to undertake the task to which he now applies himself, because the very brief time which he could command, between the adjournment of the convention and the publication of this volume, made it almost a matter of impossibility, even for one far better informed than himself upon the history of insurance, to do justice to the theme. He hardly dared to hope that he could give to his readers anything like a clear idea of the rise and development of the insurance idea, the abuses which have attached to it and impeded its progress—as barnacles decrease the speed of a ship—and the condition of affairs which influenced the statesman-like mind of Superintendent Miller to conceive the idea of calling a national convention with the view of attempting the removal of the disabilities which retaliatory state legislation and irregular, capricious official regulations had imposed on insurance companies. But, as it is always better to try to do something, even at the risk of failure, than not to try at all, he submits the following imperfect historical sketch to the delegates. He asks them to pardon its meagreness, and continue that magnanimous leniency of judgment upon his action as secretary, of which he received so many and such gratifying proofs during the late session of the convention. It is proper, at the same time, that he should say that he alone is individually responsible for any opinions or deductions which may be expressed in this portion of the work, and that he does not claim to have said anything which may not have been already said, and better expressed by writers on insurance.

The simplest definition of the insurance idea is given in the motto which Mr. Superintendent Barnes adopted for the seal of the New York insurance department: "*Alter Alterius Onera Portate*"—(bear ye one another's burdens). It is a common agreement between many different persons, that, upon each paying a fixed sum into a common fund, the proceeds shall be used, as required, to repair any loss which may befall

any one of the contributors. This is the idea in general. Applied to the insurance of life, it means that the payment of a fixed sum, at a specified age, entitles the heirs of the payer to receive, at his death, the aggregate of all sums paid by him during life, together with the interest which has been earned by them by their judicious investment and re-investment, after deducting what it has cost to attend to the business. The average mortality of the human race under normal conditions has been found to be so unchanging and unchangeable, and the earnings of capital in various countries appear to be so regular, that it should not be an insurmountable difficulty to compute the sum which it is fair to exact of the insuree of life or property, as a fair equivalent for the protection given him by his co-subscribers or rather co-partners. Whatever confusion has arisen in this respect may not unfairly be attributed to these causes: 1. Incomplete observation of natural law; 2. Imperfect understanding of collated facts; 3. Prejudice and self-sufficiency; 4. Want of reciprocal good feeling, and the withholding of mutual courtesy.

The laws of human existence are of divine origin, illustrative of Divine wisdom, and as fixed and immutable as the Deity himself. Of a given number of human beings, subject to the same climatic, political, social, material, and hereditary conditions, a certain number will die each year, be married each year, or be born each year; and if we have not yet ascertained the exact ratio of each of these, there is nothing to prevent our doing so, if we simply expend the necessary time and trouble. It is only within the past few years—not yet a score, that the researches of Bowditch, and co-operative observations of mariners, on every sea and in every season, under the central guidance of Commander Maury, U.S.N., enabled us to define the laws of oceanic currents and ocean storms; and only, comparatively, a few weeks since General Myers, U.S.A., by the aid of the electro-magnetic telegraph and his corps of isolated observers, has made it possible for us to read each morning in our newspaper, what the weather of the coming twenty-four hours will be. And yet, the law of oceanic currents and the law of storms are no different from what they have always been, or always will be. Little by little, keeping pace with the march of intelligence, our observations and comprehension of natural law become more and more exact; and as to that branch of human interest which forms the subject of this Preface, and of the pages that follow it, the best informed underwriters have expressed the opinion that the meeting of this convention will probably do more towards arriving at a correct understanding of the fundamental natural laws of the insurance plan, than anything which has preceded it. It is not so much because the Appendix to this volume contains a greater collection of remarkable insurance papers than were probably ever included in any one book before; nor because the verbatim reports of the nine days of debate bristle with actuarial wisdom, that these observers express such an opinion; but because twenty sovereign states, of a country whose opinion and example now carry immense weight in the family of nations, have sent their delegates to meet together, to inquire what abuses exist, see what mutual concessions should be made, attempt to clear away the

rubbish that has overlaid the business of insurance, and if possible agree upon a plan for inter-state comity of legislation. The immediate results of this grand experiment will be found in the official report of the proceedings, and more will be seen at the adjourned session in October; but the ultimate effect upon the interest of insurance cannot be foreseen by the shrewdest observer, not even by the man to whom the credit of the convocation is due. As has been said of the Pilgrim Fathers, he builded better than he knew, and long after he has been carried to the last resting place of man, the influence of his work will remain. The amount at stake by insurers on life and property in this country at the present time, is estimated by competent judges at about twelve thousand million dollars,—a sum so vast as to stagger one! What will it be at the end of a decade, or a generation; and what shall be the relation of the state towards an interest so beneficent, if rightly administered, so remorseless and disintegrating, if misdirected? These are questions for the statesman and the political economist; but the method of their solution in this country depends, in great measure, upon the action of this convention. They are merely hinted at, in this connection, because it seemed proper that the attention of the delegates should be attracted to and concentrated upon them during the recess.

MARINE INSURANCE.

The principles of insurance appear to have been first applied to marine risks. Superintendent Barnes, in his report for the year ending December 31, 1864, leans to the opinion that its earliest existence and practice is to be traced to the opulent city of Bruges; and he quotes from the Chronicle of Flanders, (A. D. 621, to 1725) a statement that the Count of Flanders permitted the establishment, in 1310, of a "Chamber of Insurance, by which the merchants were enabled to insure their merchandize exposed to the risks of the sea or other hazards, for the consideration of a few pence per cent," at the same time instituting certain laws and forms for the government of both insurers and insured.

Contracts to cover marine risks were made in certain Italian ports as far back as the year 1350; to Barcelona, in Spain, however, belongs the credit of having endeavored, in the year 1435, to methodize and regulate by law, the practice of insurance.

Marine insurance is known to have been practiced in various European countries in the sixteenth century, and in the year 1601 "An acte concerninge matters of assurances amongst merchantes" was passed by the parliament in England, from which it appears that *rates of premium* were charged and a *policy* issued, "by means of which policie it cometh to passe, upon the losse or perishinge of any shippe, there followeth not the undoinge of any man, but the losse lightethe rather easilie upon many than heavilie upon fewe"—and here we have the true object of insurance correctly stated.

The first attempt to form a company for insurance purposes in Holland was made in the year 1620, at the suggestion and under the protection of the government. But as insurance was to be made com-

pulsory, and was trammelled by many vexatious restrictions with severe penalties attached, the plan was rejected by the merchants and the attempt for the time abandoned. In 1693 marine insurance was not uncommon in London, but practiced entirely by one or more parties who called themselves "underwriters," from whom it appears to have been very difficult to obtain a settlement in case of loss. In 1720 the subject engaged the attention of parliament in consequence of the abuses of the system and the public mischief which accrued from its practice by irresponsible parties.

Adam Smith, in arguing that a large capital is necessary to afford the requisite security to insurers, states that previous to the establishment of joint-stock companies for insurance in London, "a list was laid before the attorney-general of one hundred and fifty private insurers who had failed in the course of a few years."

It is, of course, to be supposed, that under such practice the rates charged were quite arbitrary, and regulated more by the competition of the underwriter than any real knowledge of the risk to be insured. Insurances thus made by private parties partook more of the nature of a wager than a mercantile transaction, and, of course, loss to the insured occurred in the majority of cases, as well as endless disputes and litigations. To such an extent, indeed, was this the case, that a new set of speculators sprung up whose business it was to "insure the assurers!" In fact, the whole system was nothing more or less than gambling, and, of course, utterly failed to effect the purposes intended, or to supply the wants of the increasing commerce of the world.

As the latter expanded, a more secure system of insurance was felt to be a necessity. Companies were then projected, the first of which were formed in England in 1716. These were sanctioned by royal charter, the charters being obtained by means not very creditable to the crown or government—in fact by direct bribery—and granted in opposition to the advice of the attorney-general, in consideration of large sums of money paid by the projectors of the companies to supply a deficiency in the civil list; besides, the opposition to these institutions was so great in certain quarters, principally by the private insurers, as to be finally overcome by the potent agency of money. And in this way were marine insurance companies first established in England.

In 1720, the first parliamentary committee was organized to inquire into the whole subject of insurance and investigate the existing abuses in marine underwriting. During the same year the "*Royal Exchange Assurance, for insuring Ships and Goods at Sea or going to Sea, and Lending money upon Bottomry,*" and "the corporation of the London Assurance of Houses and Goods from Fire," were incorporated by act of parliament, upon payment into the exchequer of the then enormous sum of £300,000 each, in exchange for a monopoly of privileges, which they actually enjoyed until 1824.

Stimulated by the immunities conferred upon them by the extension of the system of marine insurances in their various countries, the merchants of each of the maritime nations of the world have in turn competed for the

rich rewards of foreign adventure; and state after state, as it grew in wealth and consequence, has swept with its conquering fleets over distant seas. Before the discovery of the mariner's compass, the perils of navigation entailed heavy and uncertain loss upon the shipping merchants; but, despite all, the prizes of foreign commerce were so temptingly large, that there were never lacking bold spirits to equip or man trading vessels for voyages to remote localities. Compared with the courage of these adventurers, how insignificant do our present mercantile achievements appear, when every ship carries an accurate chart of every square mile of ocean surface, the direction of nearly every sub-oceanic current, the topography (in certain parts) of almost every mile of ocean bottom, and even a map of the probable direction and force of every breath of wind that will be likely to fill its sails!

Think of Columbus, venturing in his miserable shallop out on an unknown waste of waters, beyond which no eye but that of his majestic soul could see land, and then of the boldest and bravest navigator of this age, and how pitiful appear this one's expeditions by comparison with that of the great explorer!

Think of Sebastian Cabot, of Pizarro, Vespuccius, and the hardy Norsemen, and other adventurous spirits of olden times, facing perils imaginary of the sea, tenfold more appalling than the dangers real; and then of modern sea-going, when Dr. Carpenter and Sir John Herschel will measure for us the very quantity of water evaporated in the Mediterranean and at the Equator, and show us how all the oceanic tides are caused to set, hither or thither!

Perhaps the most forcible way to illustrate the effect of the progress of modern nautical science upon marine risks, will be to present, in tabular form, a comparative view of the rates of insurance which were paid at the beginning of the present century, with those now charged by our great underwriting companies. The memoranda have been obtained from the Atlantic Mutual insurance company, of this city.

RATES OF MARINE PREMIUMS FOR THE INSURANCE OF MERCHANDISE
BETWEEN THE FOLLOWING PORTS:

<i>From</i>	<i>To</i>	<i>In yrs 1780 to 1800.</i>	<i>In year 1871.</i>
Philadelphia	Barbadoes,	3 per ct.	1 1-2 per ct.
Salem	India,	5 "	2 1-2 "
Boston	Chili,	5 "	3 "
New York	Cadiz,	3 "	1 1-2 "
"	London,	3 "	1 1-2 "
"	Amsterdam,	3 "	1 1-2 "
"	Canton (China),	5 "	2 1-2 "
"	Boston,	1 "	1-2 "
"	Charleston,	2 "	3-4 "
Jamaica	New York,	6 "	2 1-2 "

The rates prior to 1800 may be the subject of correction in some particulars, upon consulting authorities, but they are believed to be substantially correct. The following additional facts will also be read with interest. On April 26th, 1799, an insurance was effected on 25,000 pounds of coffee, on the sloop Nancy, from Hispaniola to St. Thomas, at

the rate of 25 per cent; September 3d, 1800, insurance to the amount of \$7,500 was taken on the ship Helen, from Point Petre to Guadaloupe, at 17½ per cent; November 28th, 1800, the insurance on the schooner Amelia, from Norfolk to New York, was 3 per cent on cargo, and 18 per cent on freight; May 18th, 1799, insurance to the amount of \$20,000 was taken on the ship Flora, from Carthagena to New York, at 10 per cent; in August, 1800, the freight of the sloop Hannah, from Philadelphia to Onoa and Golfo Duele, thence to Philadelphia, was insured in the sum of \$2,000, at 22½ per cent; and in November, 1801, the rates of the ship Eliza, from Jamaica to New York, was 6 per cent.

To ascertain what disabilities, if any, the legislation of any of our states had imposed upon marine companies, the compiler made personal inquiries of the officers of several of the large corporations, and from the highly esteemed president of the Atlantic Mutual company he has received the following communication:

NEW YORK, *June*, 1871.

HENRY S. OLCOTT, Esq.

DEAR SIR: There is opportunity for only a very hurried and imperfect reference to your enquiry of to-day.

In all treatment of the subject of marine insurance, it is necessary to recognise the truth, that it pertains to the whole world of commerce and to no locality—that it must be in harmony with and under the control of the general commercial law of all commercial nations, and as free as possible from mere local prejudices or regulation—and that the active competition of the underwriters of Germany, England, France and America, and the ease with which any sea risk can be taken by either in preference to another, give practical force to these characteristics. Any marine underwriter, laboring under obstruction or embarrassment from local intervention, carries a burden from which his competitors abroad are free, and of course, is crippled or weakened in the competition. It behooves every commercial state to avoid this mistake, not only because the error strongly tends to repel from the state all the capital and influence incident to this important department of commerce, but also because its tendency is to deprive the merchants of the state of the freedom of action requisite to secure to them the conduct of the business. In other words, the control of commercial insurance, as of all other branches of commerce, will centre in England, or Germany, or France, or the United States very much in proportion to the freedom with which the merchants and underwriters in either of those countries can exercise the best skill and judgment in adapting the business to the general requirements of the commercial world.

It follows that local regulation of this subject should be as sparing and cautious as possible, especially in view of the fact that the insured are merchants, capable and intelligent, and possessing a wide field of choice as to their underwriters.

As between the states, it is still more essential that there should be no vain efforts at localization.

No underwriter should be expected to report to more than one superintendent—that of the home jurisdiction, where knowledge would be more accessible and examination more reliable. There should be a comity between the states, by which the certificate of each state should suffice for all the others with regard to the status of its corporations.

There should be no taxation beyond the jurisdiction containing the real home office. There should be no indirect stretch of power to reach foreign corporations for purposes of taxation, or local regulation by

fictions as to urgency, or attempts to punish or prevent a merchant in any locality who desires to select his own underwriter, there or elsewhere.

I have thus frankly possessed you of my views which I have not had the time to revise or carefully shape. The ruling idea contained in them, as you will see, is that the utmost possible freedom is essential to the prosperity of marine insurance, and that governmental intervention should not be exercised unduly, nor in numerous or various local jurisdictions.

I am respectfully, your obedient servant,

J. D. JONES, *President, &c.*

The views expressed by the representative of this great underwriting company, should command the respectful attention of the delegates, as whatever he says does that of the New York commercial world. It appears to be plain common-sense that marine insurance must follow commerce on the ocean, untrammelled by local regulations, and should be free to roam the world as commerce leads the way—subject only to the restraint of international law, as understood and practised by civilized nations. Without this freedom, it cannot prosper, and it must disappear from that locality or community which denies it this freedom.

FIRE INSURANCE.

A very interesting notice of the origin of fire insurance is to be found in Mr. Lewis Pocock's historical view of the origin and progress of insurance, from which many of the following facts have been deduced.

In 1609, an ingenious person presented to Count Anthony Gunther Von Oldenburg, a scheme for the lords of estates insuring the houses of their subjects against fire, by proposing to them that they should either singly or united, set a value upon their houses, and for every one hundred dollars of valuation, pay him one dollar yearly. For this the landlord was to engage that, in case, by the will of God, their houses should be consumed by fire, caused otherwise than by the misfortunes of war, he would take the loss upon himself, and pay to the sufferers as much money as might be sufficient to rebuild their dwelling. The author of this design expresses his confidence that, although the losses might at first fall heavily, a considerable sum might be thus gradually raised from year to year; and that, if a calculation were to be made of the number of houses destroyed by fire within a certain space, the loss would not nearly amount to the money accumulated in that time. It was, however, recommended that not all the houses in every town should be included, as their value might prove too considerable, but that only some certain dwellings should be received into the association. In this proposal, it will be perceived, are the essential elements of all insurances; average of loss and a fund provided for repayment by accumulation. Count Oldenburg did not adopt this design, but he considered that a company of common individuals might be formed to insure each other's houses, and pay the losses sustained by fire; and the first fire insurance association established in England was really constructed upon the mutual principle. On October 15, 1681, it was declared by an act of the corporation of London, that an insurance fund

should be formed under the direction of a committee, to meet at Guildhall every day, from three to six o'clock, for perfecting "the same undertaking to the good satisfaction of all persons, both citizens and others, that have or shall have any interest in any building there." On the 10th of the ensuing November, it was agreed at a Court of Common Council, "that books should be prepared, by the 1st of December, following, and lodged in the Chamber of London, for receiving and entering subscriptions; and that land and ground rent, to the value of £100,000, should be forthwith settled as a fund to insure such houses as should be subscribed for. Also, that thereafter, as subscriptions should be made, a further additional fund, by the premiums which should be received, should be made. The premium for insuring brick houses to be £4 per cent, and for timber houses £8 per cent." "But this," adds the Rev. John Strype, who was contemporaneous with the design, "would not take; perhaps because the credit of the city at this time was but low." The project for a mutual fire insurance company was, therefore, not carried into effect in London until the year 1696, when an association was formed, which afterwards received the singularly appreciative title of the "Hand in Hand," in which, by the 28th of June, 1718, were insured so many as 3,666 houses. This company is still in existence and doing a good business.

There is a rate of human mortality, determinable within very narrow limits, and it is therefore possible to devise a safe plan of life insurance by the observation and arrangement of its manifestations. With the aid of modern scientific research and discovery, the risks upon marine ventures may also be very correctly estimated. But, as regards the occurrence of fires, it would hardly be safe to assume that we have as yet reached more than an approximation to such a definite understanding of the statistics of these casualties, as to make fire underwriters feel entirely secure against sudden calamities of a very grave nature. The prosperity of a fire insurance company depends upon 1. Such an investment of its assets as will always make them readily realizable in cash; 2. The distribution of its risks over a wide extent of territory; 3. The acceptance of only good risks—property not very likely to be burnt under ordinary precautions; 4. The availability of the best methods for rapidly extinguishing fires. The implacable prosecution and punishment of those guilty of the crime of arson, is also a necessity for the security of all fire insurance companies, as a similar attitude towards those who wilfully wreck their ships is for that of marine companies. In both marine and fire risks there is such a thing as the "law of average;" that is to say, a mathematical doctrine of chance, by the observation and application of which the underwriter feels safe in assuming that what has happened may, and most likely will happen, under similar circumstances. The author of the "Insurance Guide and Hand Book," quotes a statement of Mr. J. H. James, to the effect that according to the fire records kept in London, it is found that "they have departed but very slightly from the result estimated by the theory of probabilities." Mr. Elizur Wright says that

the prosperity of all fire insurance companies depends very much on a knowledge of what is this average value of the risk of each species or class of property, and that this can only be approximated by the widest and most careful statistical inquiry. Probably Mr. Wright, himself, who was present at the insurance convention, as will appear on reading this volume, will admit that the effect of the meeting of such a body of men as these delegates, clothed with such power, and possessed of so much intelligence, will exert a marked influence toward the attainment of this very result and a "new departure" in fire insurance take date from May 24th, 1871.

From the best information at present in the compiler's hands, it appears that the first fire insurance company in this country was on the mutual plan, and known as the "*Philadelphia Contributionship for the insurance of houses from loss by fire,*" which was organized April 13th, 1752, with Benjamin Franklin as one of the first signers, under what was known as a deed of settlement. The company was, however, incorporated in 1768, by the colonial authorities of the then colony of Pennsylvania, and it is still in prosperous business—an instance of corporate longevity very remarkable in this country of changes and commercial disasters. Although originally a purely mutual company, and still nominally such, the directors, as early as 1763, modified this feature, by withholding all dividends and accumulating all the profits of the business as a surplus fund to meet extraordinary contingencies. After the lapse of eighty-nine years, this fund had grown to the sum of about seven hundred thousand dollars. Mr. Barnes says that originally this company issued policies for seven years, the cost of the insurance being met by the interest received on a deposit made by each policyholder with the company. The seven year plan was subsequently so modified as to make the policies and deposit perpetual, with liberty to either party to terminate the same on certain conditions.

The first fire company formed in the state of New York, was in 1787. A document printed in this city in that year and containing its original "deed of settlement," or charter, was exhibited during the recent session of our insurance convention. The name and the form of this deed of settlement were derived from the mother country, where the same term is still used to describe the instrument known to us as the "charter" of a company. The name of this pioneer organization was "The Mutual Assurance Company, of the city of New York," but in 1846, after an existence of fifty-nine years, it was re-organized with a capital of \$280,000, under the name of the Knickerbocker Fire Insurance Company of New York. There was organized, at a date but little later than 1787, a company named the Washington, also a mutual company, which continued its business until, with nearly all other of the companies then having their location in the city of New York, the fire of Dec. 16th, 1835, in a single night, burned up all and more than all of its capital.

It seems that the principle of mutuality was the only one thought of in the incipency of the business of insurance. This probably grew out of the consciousness of mutual dependence, and the absence of the

needed capital for investment in such institutions as fire insurance companies. The same principle is still practiced in many portions of the country, not only in the newer and less wealthy sections, but as well, and perhaps more successfully, in places which are not only among the first settled, but among the most wealthy in the country.

These mutual companies are not in the habit of accumulating reserve funds of sufficient magnitude to justify the confidence sometimes placed in them, and are, therefore, adapted only, and not always amply even then, to districts sparsely settled, and to the insurance of property which is so isolated as to be unexposed by the neighborhood of other buildings. The plan of mutuality, however, presents attractions, as is evidenced by the general abandonment of the stock for the mutual principle in marine insurance, which will probably lead some day to the formation of mutual fire insurance companies upon some basis which shall unite solidity of substantial capital, and the advantages of the control of boards of managers who are stockholders, with the attractive feature of the mutual system.

Of all the fire companies organized in New York, or other states, the one called the "Globe," with a capital of one million, was in its day and generation, the monarch. Comparing the then magnitude of this city, and the general wealth of the country with what these are now, this Globe, with its one million dollars, was a greater affair, relatively, than any of the prosperous corporations whose business palaces line Broadway. The great fire of 1835 which destroyed between six and seven hundred buildings in the first ward of this city, valued, with the property they contained, at twenty millions of dollars, buried that company, together with nearly all the insurance capital in this state, and during the years which elapsed between that calamity and the fire of July 19, 1845, but little disposition was shown to invest money when it could so easily take wings and fly in a night.

In 1840, and during the intervening years, down to the fire of 1845, the marine insurance business was in a state of transition from the Stock to the Mutual system, and a number of combined Marine and Fire Mutual Companies were formed, the "Mutual Safety Marine and Fire Company," being the pioneer, and followed by the American, Mercantile, Croton, General Mutual, and others, all transacting the business of both fire and marine insurance, upon the plan of mutuality, and without cash capital. The popularity of these companies led to their all being seriously crippled, or destroyed by the fire of 1845. Their losses were immense, and some of them paid less than one-half of the demands upon them caused by that fire, and within a short time, all of these named, as well as others, became practically bankrupt, and closed their business. The remaining marine companies confined their operations to marine insurance, and the success which has attended these companies shows the practical value of regarding each branch of insurance as a distinct business, and giving to a single branch all of the energies which capable men can bring to it.

The loss of these mutual companies was the gain of the stock fire

companies. Out of some twenty companies, but three—the Merchants', the Manhattan, and the Guardian, failed in consequence of the fire of 1845. Several others were crippled, but all of them, either by paying in fresh capital or by the slower accumulation of profits, became in a few years sound, and all, or nearly all of them are still in successful business.

While in 1820 there were seventeen fire insurance companies in New York, with an aggregate capital of nine millions, and in 1835 there were twenty-four companies, the aggregate capital being a half million less than it was fifteen years before, from 1845 to 1849 there were but seventeen local companies in the city of New York, having together less than \$5,000,000 of capital.

The passage of the General Insurance Act in 1848-'49, gave an impetus to the formation of Fire Insurance Companies, and there are now in that city nearly one hundred of them.

The establishment of the New York Insurance Department in 1859, was an important event in the history of the business. Since that time the companies have constantly tended towards greater substantiality in their assets, and to greater carefulness in their action; and the same effects are rapidly following the formation of insurance departments in other states, under the conservative influence of state supervision, together with the improved business management which modern commercial usages impose, the number of fire companies in this state has rapidly increased, and their aggregate capital and assets proportionately augmented. At the close of the year 1870 there were 168 companies doing business in this state, of which 64 were companies chartered in other states, and 5 of foreign countries. The combined capital of these companies was \$61,842,428, their available assets \$152,181,568, while the amount of fire risks on their books is not far from \$7,200,000,000.

It would be of interest to follow the fortunes of companies of other states, but want of time makes it impossible, even if the compiler were in possession of the necessary knowledge and authorities. He hopes, however, to receive from such as are interested in his brief and unsatisfactory sketch, the materials for something better in the future.

The holders of policies of fire insurance are almost as numerous as are the holders of property, and whatever tends to improve the position of insurance companies, and to make that position more widely known, interests an immense constituency.

Publicity and supervision are calculated to be of substantial advantage to stockholders as well as to policyholders.

LIFE INSURANCE.

There is no analogy, whatever, between the insurance of life and that of property; for, while the risks of fire and marine companies are taken for a short, fixed time, upon the expiration of which the contract terminates, and it is optional with both parties to renew it or not, those of life companies end only with the life of the assured, and the whole sum

promised him must then be immediately paid. If ten thousand dollars is insured upon a house for the term of one year, or upon a ship for one voyage, the insurer has a thousand chances to one that he will not be called upon to pay the ten thousand dollars within the time specified; but if a like sum is insured upon a human life, the insurer is certain, if he is called upon at all, to be called upon to pay the ten thousand dollars at some time; and the chances are just as great that, in the case of any one individual life, the demand may be made within twelve months, as at the end of thirty years. Again, in the case of the fire or marine risk, even if the house takes fire or the ship strands, the chances are that the loss in either case, falling upon the underwriter, may be only partial and slight, while in the life insurance contract there can be absolutely no partial loss; for either the policyholder dies, or he lets his policy lapse. The person who insures his property for one year may, if he chooses, neglect to renew his policies, and he suffers no loss except his property should be accidentally destroyed; but he who insures his life cannot allow his policy to lapse without loss, for he cannot re-insure himself except at the advanced price according with his increased age; and if he has meanwhile become diseased, he cannot re-insure himself at all. The interests of the life policyholder are, therefore, most intimately and permanently involved in the stability of his assuring company; and the likelihood of its being able to save, from his annual premiums and the investment of their interest earnings, the sum it has promised to pay at his death, is of vastly more importance to him and his heirs, than any amount of immediate or prospective "profit" in the way of "dividends." It is to be hoped that, among other fruits of our national convention, a better state of things may result in the subjection of companies to an uniform standard of accountability. What is wanted by the public, is not so much the official assurance that these companies are rigidly adhering to the rules which they themselves may have prescribed, as that official supervision shall enforce due fidelity to the same inflexible rules of business morality as those which underlie all successful transactions in any of the ordinary departments of finance. There is no mystery in life insurance, there are no hazardous contingencies, which can excuse the slightest departure from universal rules of business, and life insurance will never attain its proper position in public estimation, until its conductors are required, by public opinion, to respect those rules.

One thing ought, in any case, to be borne in mind by the assured, **IN LIFE INSURANCE THERE IS NO SUCH THING AS PROFIT** for them. Mr. Harvey G. Tuckett, in a little work published just twenty years ago, enlarges upon this idea as follows: "The premiums are calculated in accordance with certain tables of mortality, and a certain rate of compound interest, to which is added a certain sum for expenses. It is calculated the whole of this sum will be required, and experience has shown that for many years it will be required. If then by any fortunate series of events it should happen, that the whole sum should not be required, and that a small portion of it should remain unexpended, such unex-

pended portion is not *profit* but *savings*. For instance, let a person put by \$1,200 for his household expenses for the year—at the end of the year, if he has, by provisions being cheaper, house rent less, or any other fortunate circumstance, only expended \$1,000, he will have *saved* two hundred dollars, but he would laugh at any one calling it profit." If persons about insuring their lives, would but bear this truth in mind, they would save themselves the unhappiness and disappointment that the unfulfilled promises of rascally canvassers too often cause.

But without further digression, let us resume the thread of our historical narrative.

It is but natural to suppose from the innumerable benefits resulting from insurance against loss at sea or by fire, that those descriptions of insurance should have preceded the purely benevolent designs of life insurance, and such is found to have been the case.

Their progress, however, prepared the way for the adoption of life insurance, but in this, even to a greater degree than in the others, from the absence of requisite and reliable data, the practice was of an entirely speculative nature, the charges arbitrary, and the security for the future, as a matter of course, unreliable; and in fact, generally altogether fallacious or imaginary. Disappointment and consequent distrust was the result, which required afterwards, years of able management and patient labor, on the part of its advocates to remove.

Life insurance, therefore, like most collaterals of civilization, has been of slow and laborious growth. It has had its impediments and its enemies. Prejudices were to be overcome; ignorance to be enlightened and subdued, and selfish and interested opponents to be defeated. It has triumphed over all and now stands before the world a magnificent monument, and by the combined efforts of the strictest and most scientific induction and the purest benevolence, and is unquestionably the happiest combination of science with philanthropy, and wisdom with knowledge, that the progress of society has developed to mitigate distress and to neutralize the effect of those reverses and calamities which are at once the consequence and the bane of civilization.

The germ of life insurance is to be found in the ancient system of *Tontine Annuities*, "so-called, from having been originated, or, at least made popular by Leonardo Tonto, or Tonti, a Neapolitan, who flourished about the middle of the seventeenth century." In these associations, which were formed by both sexes without any reference to age, a fund was created by an equal subscription from each person. The entire sum was then placed at interest, and an equal division of the income made at the end of each year, *to those who were living*. This was carried on until finally the last member received the whole amount of interest together with the principal.

This system of annuities was a mere lottery, and very unequal in its advantages, and from the frauds practiced on the annuitants did not continue long in either repute or practice among intelligent persons. It is related, that the last survivor of a Tontine in France, died in 1696,

at the age of 96, in the receipt of an income equal to \$15,000, for the original subscription of \$62.50.

It may be mentioned here, in illustration of the proverbial longevity of annuitants, that two nominees of certain Tontine schemes, died recently in England, one aged 106 and the other 122 years.

The first scheme for the insurance of lives in England, was projected by the Rev. William Assheton, D. D., rector of Middletown, in Lancashire, "for the benefit of the widows of clergymen and others, and for the settling of jointures and annuities," and partook more of the nature of what is now known as a survivorship annuity than a life insurance—being a certain sum paid down to secure an annuity to a surviving nominee. This design was put in practice by the Mercers Company, of London, in 1698. A similar institution, called "The Society of Assurance for Widows and Orphans," was formed in the following year. Each of these societies transacted considerable business, but from the want of correct data on which to base their operations, finally became bankrupt.

In the year 1706, "The Amicable Society or Perpetual Assurance" was formed. This is the oldest life insurance company in existence.

The "Royal Exchange" and "London Assurance Corporation" were established in the year 1721, and exist also to the present day. It is difficult to conceive from what data the rates adopted by these companies were deduced—they must have been the merest guess-work—and their existence for the first 50 or 60 years must have resulted from a combination of chance and shrewd management, rather than from any scientific vitality which their system of transacting business could have possessed.

From the establishment of the Mercers' Company in 1698, until the year 1762, the science of life insurance made but very little progress, although the practice of it (so called) was positively rampant. This period produced swarms of insurance schemes of every conceivable denomination. A system of speculation insurance nicknamed "Little Goes" was much in vogue. In one of these "a number of persons combined and each subscribed five shillings fortnightly, on condition of £200 being paid to his heirs and executors. In another, five shillings a quarter entitled the subscriber's representatives to receive £120 on his demise; while a third, called the 'Fortunate Office,' was to provide marriage portions of £200 for those who paid two shillings a quarter." The success of this office clearly lay in its accepting only the most ordinary of the female sex as subjects for insurance!

"Insurance wagers" were also "quite the rage," and served as a means of money-making to the "knowing ones" and as a fashionable excitement to the "bloods" of the day. Some of these transactions were of the most extraordinary nature. Thus the following quotations are found in *The London Chronicle* of 1768: "Mr. Wilkes being elected member for London, done at from 5 to 50 per cent." "Mr. Wilkes being elected member for Middlesex, from 20 to 25 per cent." "Alderman Bonds' life for one year, now doing at 7 per cent." "Mr. Wilkes'

life for one year, at 7 per cent, and warranted to remain in prison during that period." It is also related that "large sums were paid by the underwriters at Lloyds' (at Lloyds!) who speculated upon the failure of a young fellow who had undertaken, for a wager, to go to Lapland, and bring back, within a given time, two reindeer and two Lapland females," and he actually accomplished this feat.

The business of life insurance, carried on in this manner, at last became a public nuisance and scandal, and accordingly in the year 1774, an act was passed which ended, at one blow, the period of gambling assurances. By this act it was declared that "no insurance shall be made on the life of any person, or on any event whatsoever, when the person on whose account such insurance shall be made shall have no interest, or by way of gaming or wagering;" and that "every such insurance shall be null and void."

In illustration of the utter want, at this period, of the knowledge required in carrying on the business of life insurance, as well as the manner in which it was conducted, and of the rates of premium charged, it is stated by Mr. Walford, in his valuable "Hand Book," "five pounds was the premium originally demanded to assure £100 for one year, on a life of any age between twelve and forty-five!" On the 25th day of November, 1721, the *London Assurance Corporation* granted an assurance to Mr. Thomas Baldwin on the life of Nicholas Browne for £100. In this case £5 5s. was the premium for twelve months, and this rate is known to have continued for some time. The *Amicable* office charged an entry fee of £3 15s. per cent, in addition to the £5 premium, and middle-aged and old lives were frequently registered even on these terms. * * * * In addition to the premium named, extra rates were demanded for 'youth hazard,' 'female hazard,' and 'occupation hazard;' while 'officers on half-pay,' and persons 'licensed to retail beer,' were charged no less than 11 per cent extra. Nor did the offices, with the exception of the *Amicable*, make any return of profits to the assurers, and in this office the divisions took place without much regard to equity. The sum considered to be profit was divided every year amongst the policies which became claims during the year, quite irrespective of the time such policy had been in existence; and the society had no power of applying any portion of such profits for the benefit of the assured during his lifetime." Well might the accomplished author of this work ask "Need we wonder that life assurance was slow in becoming popular?"

From this, it will be seen, that life insurance as properly understood at the present day—that is, the payment of a specified amount calculated according to age, to secure a fixed sum at death—had no real existence at the period of which we are speaking. The *London Assurance Corporation* issued the first life policy payable at death; it was dated the 7th of June, 1721. This interesting fact is worthy of remembrance—while the *Amicable*, chartered twenty-five years previously, did not issue policies, on which the rate of premium was calculated according to age, until 1807.

The writings and lectures of Thomas Simpson, the mathematician, were the forerunner of a new era in the practice of life insurance. Dr. Halley, the astronomer royal, had previously demonstrated, in a paper read before the Royal Society in 1693, the true method of calculating life annuities, and from an actual record of deaths he deduced a table showing the probable duration of life at every age. Simpson, availing himself of the suggestions of Dr. Halley, announced the possibility of constructing a table of premiums graduated according to the age of the assured, and when such a table had been actually computed by Mr. Jas. Dodson, considerable public attention was attracted to it. Intelligent persons began to see the feasibility of life insurance on a more reliable basis than that on which it had heretofore been practiced; and there were not wanting practical business men to take advantage of the public sentiment by forming a society which should more completely answer the requirements of the age than any which had hitherto been formed.

This was "*The Equitable Society for the Assurance of Life and Survivorship*," afterwards destined to become the most renowned life insurance company in the world.

That the founders of the society set forth the objects of life insurance clearly and correctly, and indicated that class distinctly which most need the protection which it secures, the following extract from their petition to parliament will show, no less than how well understood and appreciated were the benefits to be derived from the practice of life insurance, notwithstanding that but comparatively little was yet known of the scientific knowledge required for the safe and successful management of the business. The petition sets forth "That great numbers of Her Majesty's subjects, whose subsistence principally depends on their salaries, stipends and other incomes payable to them during their natural lives, or on the profits arising from their several trades, occupations, labor and industry, are very desirous of entering into a society for assuring the lives of each other, in order to extend, after their decease, the benefit of their present incomes to their families and relations, who may otherwise be reduced to extreme poverty and distress by the premature death of their several husbands, fathers and friends, which humane intention the petitioners humbly apprehend cannot be effectually carried into execution without Her Majesty's royal authority to incorporate them for that purpose." The petition was rejected; one of the reasons assigned being that the society intended to insure upon CHEAP TERMS. What those cheap terms were, will be more fully appreciated by a comparison of the rates first adopted by this society with those now in use:

Age.	Rates first proposed.	Rates first adopted.	Present rates.
14	£2.17.0	£2.7.7	£1.17.7
20	3. 9.4	2.15.4	2. 3.7
25	3.14.0	3. 4.0	2. 8.6
30	3.18.7	3.12.8	2.13.4
40	4.17.9	4.12.2	3.7.11

The petitioners were informed that "if they were so sure of success, there was an easy method of making the experiment by entering into a

voluntary partnership, of which there are several instances in this business of insuring." This suggestion was acted upon, and accordingly the society was formed in the year 1776, adopting still lower rates of premium than those presented in the petition.

Dr. Price, a Unitarian preacher and a man of rare and varied ability in scientific matters, had among other things given much attention to the subject of life contingencies. He had been constantly consulted by the promoters of the *Equitable* society on all points of difficulty connected with their enterprise, and seeing the necessity of confining or correcting the graduated scale of premiums prepared by Dodson from separate data, he compiled from the parish registers of his own town of Northampton, such a record of births and deaths as he considered would form a fair average of such events throughout the kingdom; and from these he constructed the far-famed NORTHAMPTON MORTALITY TABLES. Dr. Price also aided the society with plans for ascertaining its surplus and for estimating with considerable accuracy the state of its accounts for each year; and so admirably were they found to answer the purposes intended, that they have been continued in use by this society ever since, and with certain modifications by nearly all the old societies in England. The labor of Dr. Price resulted in a still further reduction of the rates charged by the society, which together with its large accumulating fund, tended to increase the public confidence in life insurance and the popularity of the society itself.

As was to be expected, the great success of the *Equitable*, caused a swarm of other societies to come into existence, and competition was carried to an extent ruinous to the companies themselves and damaging to the cause of life insurance, while frauds involving crimes of every hue, not even excepting murder, were committed on the companies by unprincipled and ingenious adventurers. Government itself, did not scruple to take advantage of the mania by not only accepting bribes for charters containing special privileges, but by actually making the attempt to appropriate to its own use the unclaimed dividends of the companies.

Life insurance had now become popular, and its nature and influence better understood and appreciated. It also began to be practiced under advantages as great as its former difficulties had been. Much more accurate data on which to base the calculations connected with the business, had been placed at the disposal of the companies by the investigations of scientific men. Observations on mortality were more widely extended, being not only taken in a number of towns and localities in England, but scientific individuals had also made similar investigations in various countries on the continent of Europe, as well as among *Tontine* and other societies, where regular records of mortality had been kept. The most important contribution, however, was that of Mr. Joshua Milne, who had constructed from the observation of Dr. Heys-ham upon the mortality of Carlisle, that valuable table known throughout the world as the Carlisle Table of Mortality. This table was published in the year 1816, from which may be dated a new era in the

science and practice of life insurance. The end of all these laborious investigations was to show a remarkable similarity in their results, a similarity sufficient to remove all doubts as to the solidity and certainty of the basis on which the business of life insurance might be conducted.

A small amount of legislative encouragement was also bestowed on life insurance, which had a beneficial effect on the business at this period. At the suggestion of Wm. Pitt, that portion of the incomes of persons which was invested in "that easy, certain and advantageous mode of providing for their families by insuring their lives" was exempted from taxation.

A rapid improvement was also progressing in the mortality of the kingdom; it having been found by comparing the deaths in the early part of the 18th century with those of the early part of the 19th, that the mortality had been reduced two-fifths.

From this time, and under the favorable circumstances named, the practice as well as the science of life insurance steadily progressed. Able, scientific and business men combined to improve its practice, extend its advantages and promote its influences, and the public appreciation of its usefulness kept pace with the exertions of those interested in its success.

The prosperity of the well managed offices, however, was too great, and the confidence of the public in their management too unlimited, not to excite the cupidity of the unprincipled and adventurous to take advantage of these circumstances. Accordingly, we find under the name of life insurance companies, some of the most startling and stupendous frauds that have ever disgraced the annals of commerce. The *West Middlesex*, (doomed to an immortality of infamy in the pages of Dickens,) which was started in 1836 by two notorious swindlers, one a journeyman shoemaker and the other a bankrupt tallow chandler, succeeded in swindling an unsuspecting public of nearly £250,000, by the sale of annuities and the granting of assurances at rates nearly thirty per cent more favorable than those offered by any other company. The bulk of this enormous amount was obtained from single ladies, clergymen, half-pay officers and others seeking the largest possible income from their limited capital. "If" says the author of 'The Insurance Guide and Handbook,' "the disappointment and ruin which this one fraudulent scheme occasioned, could be truly depicted, there is nothing in the realms of fiction which could equal it." An act was passed in the year 1844, called the "Joint Stock Companies Act," with a view to prevent these public swindles, but it had not the desired effect, and only served to prove the truth of the great Irish Agitator's words that, "there was never yet an act of Parliament framed through which a coach and four might not be driven," for in the very following year, 1845, no less than forty-eight life insurance companies were projected and provisionally registered, of which only four are now in existence; while from the same date to 1857, no less than one hundred and twenty offices had discontinued business. The causes which led to this result

may be briefly stated as want of good faith at starting; want of practical knowledge and experience in their origination, and extravagant and unsound management. But what legislation, however good in intention, failed to accomplish, public opinion properly instructed and directed, effected. The "Post Magazine," a publication edited with great spirit and ability, ferreted out and exposed, in their incipient stages, with the most merciless persistence, all such "bubble" projects as those alluded to, by which untold misery and disappointment were saved to the community. Happily, in this country, wise and judicious legislation has in great measure saved the public from loss and the cause of life insurance from disgrace, by preventing its benevolent nature being prostituted to further the ends of unprincipled adventurers.

Such, in brief, has been the history of life insurance in England. It is now one of the largest of the monied interests in the kingdom and its benign influences are felt and appreciated in thousands of homes made comfortable where, without its aid want, with all its attendant train of disease, ignorance and crime would have inevitably prevailed.

The compiler cannot leave this branch of his subject without expressing his sense of the obligations under which he has been placed by the great kindness and courtesy of a number of gentlemen connected with leading life, fire, and marine insurance companies, whose names he would gladly mention, but for the fact that he has been requested not to do so. To them is due the greater share of the credit for whatever of value this Preface contains.

The business of life insurance in the United States may be said to have commenced upon a scale of some importance in the year 1843, and continued with fair success until 1859, when an insurance department was created by the state of New York, with a superintendent at its head, whose duty it was to see that the several companies conformed to the laws by which the system was to be governed, and under whose inspection the public interest was to be guarded. Massachusetts had already established a state supervision in the year 1854, and other states prepared to follow the wise example.

The public confidence inspired by this movement, gave a fresh impetus to the business from this period. This is strikingly illustrated by the following figures, which represent the total amount of transactions in New York companies, made up to the end of the year 1859, in comparison with what they amounted to by the last returns in December, 1870:

NEW YORK STATE COMPANIES.

1859—Capital and accumulations or assets, Dec. 31, 1859,	\$12,090,815
Premium income for 1859, - - - - -	\$2,013,376
Transactions during 1859, - - - - -	\$15,916,116
Total amount of life policies in force, Dec. 31, 1859,	\$72,147,436
1870—Capital and accumulations or assets, Dec. 31, 1870,	\$130,516,091
Premium income for 1870, - - - - -	\$48,679,784
Transactions during 1870, - - - - -	\$305,199,598
Total amount of life policies in force, Dec. 31, 1870,	\$1,049,235,259

TOTAL OF ALL OTHER-STATE COMPANIES DOING BUSINESS IN NEW YORK:

1859—Capital and accumulations or assets, Dec. 31, 1859,	\$8,906,999
Premium income for 1859,	\$1,956,747
Transactions during 1859, - - - - -	\$14,142,291
Total amount of policies in force, Dec. 31, 1859, -	\$69,300,541
1870—Capital and accumulations or assets, Dec. 31, 1870,	\$137,049,443
Premium income for 1870, - - - - -	\$44,697,856
Transactions during 1870, - - - - -	\$267,974,802
Total amount of policies in force, Dec. 31, 1870, -	\$993,852,810

A comparison of the above tabulated statements shows that since 1859, a period of above 11 years, the increase of the business has been about *fifteen times* as great as the total that it had reached at the close of 1859, or during sixteen years previous.

This wonderful growth has necessarily attracted attention in Europe, as well as in this country, and it is expected that with the additional safeguards contemplated by the insurance convention, and the benefit which the companies will derive from the uniform system of reports, valuations, and other details designed by the separate states—that the next ten or eleven years will show a still greater increase in the business.

With the view of placing before the delegates in a convenient form a synopsis of the legislation resorted to by the several states of the Union for the regulation of the insurance interest, the compiler presents the tables which follow—the one relating to fire companies, having been prepared with the assistance of Messrs. George T. Hope and H. A. Oakley, and the life table with that of Messrs. Frederick S. Winston and James W. Alexander, to all of whom he begs to offer his sincere thanks for the help which they have so cheerfully rendered him. Until the tables were in the printer's hands, the compiler was not aware that anything of the kind had been previously given to the public, but he is now informed that such is the fact. The changes which have recently occurred, however, will probably give the present tables a certain interest and value. They will at least serve to show the delegates the disabilities which conflicting, and, it would seem in some cases, injudicious legislation, has imposed upon the operations of insurance companies; and, he hopes, suggest the necessity for changes at the earliest practicable date, as well as indicate the quarters in which reform should be attempted. The imposition of extraordinary and onerous taxes by local authorities upon the insurers, defeats its ostensible object, local gain, for each new impost is naturally followed by a corresponding increase in the rates charged the citizens of that locality for insurance on life or property, just as the collection of a new internal-revenue tax raises the price at which the article taxed is sold to the consumer. An unreasonable tax upon insurance is also a tax upon frugality and prudence, and, hence, it would seem, contrary to the spirit of an enlightened public policy.

The tabulated digests have been prepared with as much care as the limited time at the disposal of the compiler has permitted. They are

believed to be in the main correct, but if any particulars have been omitted, he will feel under obligations to any one who will call his attention to them before the October meeting of the convention. The dates at which the several statutes have been enacted by the state and territorial legislatures are probably of secondary consequence, as compared with the provisions of the statutes themselves, and hence the compiler has upon second thoughts, abandoned the intention, which he had formed, to give a corrected chronological sketch of the establishment of the various state insurance departments, as well as of American companies themselves. The latter present few, if any, features to distinguish them from their English predecessors, but they certainly indicate in their unprecedented enterprise and development, an inherent vitality and intelligence of management in a degree so remarkable, as to command the attention, if not admiration, of those accustomed to the conservatism of English business management. If the result shall prove that we can enjoy this marvellous enterprise, without trespassing upon the all important feature of security, the future application of the insurance idea in this country will be upon so grand a scale as to throw in the shade everything that has ever been seen in any country in the way of commercial operations.

H S O.

LIFE

TABULATED DIGEST, showing as nearly as practicable the Taxes and other
Compiled by H. S. OLCOTT from Wolford's General Insurance Statistics, and the

State.	State Official in charge of Insurance.	Tax on Receipts.	License Fees.
Alabama.....	Comptroller of State.	State 2 per cent. County and City 3-4 to 2 per ct.	\$10 to \$15 each Agent Tax on seal and certificate, \$5 to \$7.50.
Arkansas.....	Commissioner of Public Works, <i>ex-officio</i> Inspector of Insurance.	Ann'l return in Aug., of am'ts of receipts to be made to Clerk of Co., and taxed as other personal prop'ty in that Co.	.....
California.....	Insurance Commis'ner.	State, 1 per cent.....	State and City about \$25 to \$30, q'rterly.
Colorado.....	None given in Gen'l Ins. Statutes of U.S.	State, about 1 per cent. County, ab't 1 per cent.	Names of Ag'ts to be filed with Co. C'ks.
Connecticut.....	Commissioner of Ins.	State, 2 per cent.....	\$50 Annually.....
Dist. of Columbia (City of Wash'ton.)	None given in Gen'l Ins. Statutes of U.S.	1 per cent.....	.....
Delaware.....	Secretary of State....	State, 2 1-2 per cent.....	Each Ag't \$25, ann'l'y.
Florida.....	None given in Gen'l Ins. Statutes of U.S.	.....	Each Agent, \$15, ann'l'y, City, \$25, \$40.
Georgia.....	Comptroller Gen'l of the State.	State, 1 per cent, City license, \$10, City taxes, q'rly, Co. taxes, q'rly.	\$2.50 each Agent.....
Illinois.....	Superintendent of the Ins. Department.	None.....	\$5 each Agent.....
Indiana.....	Deputy Auditor.....	None.....	\$2 for each Agent (semi-annually).
Iowa.....	Auditor of State....	None.....	\$5 for each Agent....
Kansas.....	Superintendent of Insurance.	State, 2 per cent.....	\$2 for each Agent, School fund, ann'l'y, \$5, State, \$50.
Kentucky.....	Insurance Commis'ner	State, 2 1/2 per cent.....	\$10 for each Agent, City of Louisville, \$200.
Louisiana.....	Secretary of State ...	State, 1 per cent.....	\$1,000 Annually, City of New Orleans, each Company \$500 Annually.
Maine.....	Ins'rance Commis'ner.	None.....	(Ann'l'y) Compy. \$20. Each Agent \$1.
Maryland.....	Comptroller of the Treasury.	None.....	Annually \$300.....
Massachusetts.....	Ins. Commissioner.	1 per cent per \$1,000 of Policies for Valuation.	.....
Michigan.....	Commissioner of Insurance.	"Specific" Tax, 3 per ct. City Taxes.	.....

COMPANIES.

Requirements of States and Territories, as regards Life Insurance Companies, Books of the Equitable Life and Mutual Life Companies. New York, June 23, 1871.

<i>Filing Papers.</i>	<i>Statements, and other Papers required.</i>	<i>Miscellaneous.</i>	<i>Deposit.</i>	<i>Legislation.</i>
Judge of Prob. Courts, each County, \$5., Statement, \$30.	Each County filing \$5. Copying \$2 and \$3. Stat'ment Ann'ly in July		Not less than \$10,000.	....
			\$20,000	....
Each paper, \$5, Copy Bonds, \$2.50, Statements, \$20.	Stat'mts and other papers, Certificate of value of Bonds and Mortgages.	Advertising, about \$100.		....
		None.		....
	Stat'mts ann'ly to Oct. 1st			*
			
			St'e B's \$30,000.	....
Charter, \$30, Stat'm't, \$20.	Statement, Charter and Certf., if no change, Certificate of Deposit.		Not less than \$10,000.	*
Charter, \$30, State'm't, \$10, each Certf., \$2.	Statement, List of Ag'ts, Schedule of Mort'ges, Mass. Certf. of Val'n, Certf. of Deposit, List of Policies not in force.	Advertising..		*
Statement, \$3 (Semi-annually.)	Statement, semi-annually. Copies to be filed in each County by each Agent.		....	....
Statement, \$20.	Statement—Certf. of valuation, Appt. of Agents, Certf. Val'n of Bonds and Mortgages.		....	*
Statement, \$50.	Statement, Copy of Certf. Valu., Appt. of Agents, Power of Atty., Certf. of Deposit.		....	....
Statement, \$10. Certf. of Deposit, \$10. Certf. of Val'n, \$10	Desc'ptive list of Policies. N. Y. Val'n of do., Certf. of Deposit, Certf. Val. Bonds and Mortgages.	Advertising..	....	(a)
	Statement, etc.	None.	....	....
		
	Statement, etc.	Advertising..	....	....
Charter, \$30, State-m't, \$20.	Statement, etc.		....	*
	Business in Mich. Power of Atty. Certf. of d'posit. Certf. of Val'n, Schl. etc.		....	....

LIFE

TABULATED DIGEST, showing as nearly as practicable the Taxes and other
Compiled by H. S. OLCOTT from Wolford's General Insurance Statistics, and the

State.	State Official in charge of Insurance.	Tax on Receipts.	License Fees.
Minnesota.....	Board of Ins. Comrs., consisting of State Treasurer, State Auditor, & Atty. Genl.	State, 2 per cent.....	.....
Mississippi.....	Auditor of Public Accounts.	None.....	Each Agt. \$2.50, State \$100, City \$150, Co. \$50, Trav'ing Agt. \$1000.
Missouri.....	Superintendent of the Insurance Dept.	None.....	St. Louis \$200, County \$30, City Permits, each, \$6.
Nebraska.....	Auditor of State.....	(d).....	.....
Nevada.....	State Comptroller....	State, 1 per cent.....	Each Agent \$5.....
New Hampshire..	Insurance Commr....	State, 1 per cent.....	Annually, \$100.....
New Jersey.....	Secretary of State....	State, 2 per cent.....	Annually, \$50.....
New York.....	Superintendent of the Insurance Dept.	None.....	.....
North Carolina..	None given in Gen'l Statutes of U. S.	State, 1 per cent on gross Receipts, and a Liability to County Taxation besides.	Annually, \$100, each Agent, \$5 annually.
Ohio.....	Auditor of State.....	State, 2 per cent.....	\$30 1st license, each Agent, \$5.
Pennsylvania.....	Auditor General.....	State, 3 per cent.....	Annually, \$500.....
Rhode Island....	Ins. Commissioner...	State, 2 per cent.....	Each Agent, \$5.....
South Carolina..	Compt. Gen. of State.	None.....	Charleston, \$100, each Agent, \$5.
Tennessee.....	Compt'ler of the State	State, 1 1/2 p. c't. "Spec'l" and "Regular" taxes by State, County and City, various.	\$7.50 annually, each Agent, \$5.
Texas.....	None given in Gen'l Statutes of U. S.	None.....	\$500 annually.....
Vermont.....	B'd Ins. Com'rs, consist'g of the Sec. and Treas. of the State.	.....	.....
Virginia.....	Auditor of Pub. Ac'ts of the State.	State, 2 per cent.....	Each Agent, annually, State and City, "all sorts".....
West Virginia....	Auditor of State.....	State, 3 per cent.....	.....
Wisconsin.....	Sec. of State and ex-off. Seco Comm'r of Ins.	State, \$300.....	License, \$70, Copies, \$3.
Wyoming Territory	None given in Gen'l Statutes of U. S.	Each County, all sorts, 1-5 p. c't to 1 1/2 p. c't.	.....

(a) Forbids removal of actions to U. S. Courts.
(c) Tax may be reduced to one-half of one per cent, if Company holds bonds of state, or has loaned, on bond and mortgage, in the state an amount equal to one-half of the gross receipts.
(d) Gross Receipts to be taxed at the same rate as other property.

COMPANIES.—Continued.

*Requirements of States and Territories, as regards Life Insurance Companies.
Books of the Equitable Life and Mutual Life Companies. New York, June 23, 1871.*

<i>Filing Papers.</i>	<i>Statements, and other Papers required.</i>	<i>Miscellaneous.</i>	<i>Deposit.</i>	<i>Legislation.</i>
Statement, \$5.....	.....	Advertising..	.....	....
.....	Statement, etc.....	Advertising in Each Co., \$20 to \$30.	.....	....
Statement, \$50, Certif. Authority State, \$2.	Statement, Val'n Bonds and M'ges. Certif. of Deposit, Certif. Val'n. Policies, N. Y.	.....	.....	•
.....
.....	Statement, etc.....	.....	.....	•
Statement, \$5, Certif. of each Agent, \$5.	Statement, etc.....	.....	.....	(b)
Charter, \$30. Statement, \$20, Agts., \$5.	Statement, etc.....	.....	\$100,000.....	•
.....	.....	.....	.....	(c)
Statement, \$20.....	Statement, etc.....	Advertising..	.....	....
.....	Statement, etc.....	Advertising..	.....	....
.....	Statement, etc.....	.....	.....	•
.....	Statement, etc.....	.....	\$50,000.....	....
Statement, \$50.....	Statement, etc., Income and Expenditures in Tennessee.	None.....	\$20,000.....	....
.....
.....	•
.....	.....	Advertising..	Not exceeding \$50,000, nor less than \$30,000.	....
.....	Spent of Prems. in W. Va.	.....	.....	....
.....	Statement, etc., List of Agents.	Advertising..	.....	....
.....	Statements from Agents..	.....	.....	....

(b) \$20, annually, for each Agent, may be paid in lieu of tax, by any Company whose state does not require more.
* Same terms imposed by laws of other states, to be exacted of Companies of such other states.

FIRE
TABULATED DIGEST, showing at one view the Taxes, Fines, Fees

State.	Amount of Deposit required.	State Tax.	State License.	County License or Tax.	City or Town License or Tax.
Alabama.....	2 per cent....	....(a)....	.....	.....
Arkansas.....	\$20,000 State Bonds	Same as on other personal prop'y	.....	.....	.....
California.....	2 p. c. and 25c. stamp tax on each \$1,000.	\$400(b).....	.....	.....
Colorado T.....	1 per cent....	.....	.....	.....
Connecticut*
Delaware.....	\$100.....	\$25 each Agt	.....	.....
Dakota T.....
Florida.....	\$20,000 State Bonds	.....	\$10.....	\$5.....	.....
Georgia*	1 per cent....	.....	.....	.....
Illinois*	Same as other pers. prop'y.	.....	Same as St'e	Same as State..
Indiana.....
Iowa.....	2 per cent....	.....	.....	.....
Kansas*	2 p. c. & \$40 for School fund.	.....	.....	.....
Kentucky.....	2 1/2 per cent....	.....	.....	Louisville, \$150.
Louisiana.....	1 p. c. on prms. and \$500.	\$1,000.....	.....	New Or'ns, \$500
Maine.....
Maryland.....	\$300.....	.....	.....
Massachusetts..	2 per cent....	....(c)....	.....	.....
Michigan.....	3 per cent....	.....	.....	Detroit..... 2 per cent.....
Minnesota.....	2 pr. ct. in lieu of all state taxes.	.....	.....	.....
Mississippi.....
Missouri.....(d)....	None.....	.....
Nebraska.....
Nevada.....
N. Hampshire.....	1 per cent....	\$5.....	.....	.....
New Jersey.....	2 per cent....	\$50.....	.....	.....
New York.....	2 per cent....	.....	.....	.....
North Carolina..	1 per cent....	\$100.....	1 pr. ct.	.....
Ohio*
Oregon.....	\$50,000 U. S. Bonds	.....	.....	.....	.....
Pennsylvania	3 per cent....	\$500.....	.....	.....
Rhode Island.....	2 per cent....	.....	.....	.....
South Carolina..	\$20,000 State Bonds	About 1 pr. ct. same as pers. property.....	.....	.....	.....
Tennessee.....	\$20,000 State Bonds	1 1/2 per cent....	\$750 Tenn. money.	(e).....	(c).....
Vermont.....
Virginia.....	5 per. ct. of Capital, but not less than \$10,000 or more than \$50,000.	2 per cent....	\$35 in large, and \$25 in sm'll towns	.....	.....
West Virginia..	\$25,000 U. S. Bonds	4 per cent....	.....	.....	.....
Wisconsin*	2 per cent....	.....	.....	Milwaukee 2 p. c.

* Reciprocal Legislation.
† \$10,000 S. B. and an additional amount not to exceed 7 per cent on amount of annual risks taken.
‡ Macon, Savannah, \$200 each; Augusta, \$100; Atlanta, \$25.
(a) City of Mobile, License, \$500. Fire Department, \$200.
(b) Bond of \$2,000 required from each Agent, as security for payment of taxes.

COMPANIES.

and Disabilities imposed on Fire Insurance Companies in the several States.

Fire Duty Tax.	Filing State'm't.	Filing Charter	Filing Copy of Charter	Cost Certif.	Agent's Certificate.	Agent's Seal.	Power of Attorney required.	Legal Advertis- ing required.
	\$10.				\$5.		Each Agt. Each Agt.	
	\$20.				\$5.		Each Agt.	
	\$20.				\$2.		One None None.	
	\$7.50.				\$2.50.			
2 perct.	\$10.				\$2.			
	\$5 Semi- annual.				\$2 Semi-annual.		Each Agt.	
	\$20.				\$5.			Once at the Capital and once elsew'r.
	\$50.			\$50.	\$2.		Each Agt.	
	\$40.	\$40.	\$10.		\$5.	\$1.	Any Agent	Each Agent two successive weeks One month, twice a week.
					\$1.		Each Agt.	Once a week for 3 successive wks.
	\$20.				\$2.		One	
	Nil.						One	Ag'ts' certificate 4 times.
	\$5.						Each Ag't.	3 successive weeks at St. Paul.
					\$2.50 Auditor, \$1.50 Prob.Ct.		Each Ag't.	Each Agency for 3 weeks.
	\$50.	\$50.		\$1.	\$1.20.			Once a week for four weeks.
					\$2.		Each Ag't.	Each Ag't once in a daily and 4 times in a weekly.
	\$5.				\$1.		One	
	\$20.				\$5.			
	\$20.				\$5 each or com- mune for \$250.	\$1.		Once by each Ag't
					\$10.		One Agent in each County.	
					50 cts.		One	3 times a week for two weeks.
					\$5.		Each Ag't.	As Comp. Gen'l shall direct.
	\$5 Semi- Ann'l.				\$3.		Each Ag't.	3 successive w'ks.
	\$2.						One	
	\$10.				\$5.		One	
2 p. ct.	\$10.				\$1.		One	

(c) Agents to give Bond of \$2,000 as security for payment of taxes.
 (d) St. Louis City \$100 License, and about 3 per cent on premiums.
 (e) TENNESSEE.—City of Memphis, 1 per cent on premiums; City of Clarksville, license, \$50.50; City of Columbia, license, \$27; City of Murfreesboro, license, \$50. Shelby County, license, \$375; Davidson County, license, \$150; Knox County, license, \$200; Rutherford County, license, \$75.

OFFICIAL REPORT
OF THE
National Insurance Convention

OF THE UNITED STATES,

HELD IN THE CITY OF NEW YORK, MAY 24, 1871.

FIRST DAY.

NEW YORK, *May 24, 1871.*

THE National Insurance Convention of the United States convened at the office of the New York Board of Underwriters at 12 o'clock.

Mr. GEO. W. MILLER, Superintendent of the Insurance Department of the State of New York, called the convention to order and said: Gentlemen, on all such occasions it is necessary, for some one to take the initiative, and as this is the first gathering of the kind in this or any other country, it seems to be proper that I, having assumed the responsibility of inviting you here, should call you to order and suggest a temporary presiding officer. Before doing the latter I will read you the letter which I addressed to the different state officers having charge of insurance affairs in the states of this Union, and which has resulted in the meeting we are now entering upon, as by that letter, I can, perhaps, as succinctly as in any other way impress the views I entertained in calling the convention. The letter is as follows:

"INSURANCE DEPARTMENT, }
"ALBANY, *February 3, 1871.* }

"DEAR SIR:—I beg leave to call your attention to a subject which appears to me of general public importance, and worthy the consideration of all interested in insurance or charged with any public duties in connection therewith. The past and prospective increase in the number of state departments, each established under different laws and adopting different forms, rules, and regulations, has naturally tended rapidly to increase the labors and consequent expenses of insurance companies, and, of course, to absorb by so much the security or funds of the insured. As the people of every state are interested in procuring insurance which shall be reliable, and, at the same time, cost as little as possible, it would seem that some measures might, and if possible, ought to, be adopted, which would tend to promote the general interests of the insurer and insured. It occurred to me sometime since that the most feasible and practicable mode of securing that simplification and unification, both of form and of law, which public interests seem to demand, was to be found in concert of action on the part of those several state

officers charged by their respective states with the supervision of insurance. Many matters of importance are now entirely within the discretionary powers of the state officers of the different states. As to these, it would seem that it is only necessary to agree in order to produce a beneficial result. As to the enactment of laws, the earnest recommendation of a convention of such state officers would, no doubt, be recognized as entitled to great consideration by the legislatures of the respective states. I design merely to throw out these several suggestions thus briefly, for the purpose of invoking an interchange of views, &c. I shall be gratified to hear from my more able and experienced brother officers upon the subject of the feasibility and policy of a general meeting in convention for the purpose of consultation, and, if possible, doing something for the general improvement of our great insurance system. I am strongly inclined to hope and believe that the project will meet with sufficient favor to warrant the proposed meeting. If so, I beg to solicit your views as to time and place of meeting, &c. I also beg to submit my own views as to this. I believe New York city to be the most convenient and desirable place for such meeting, and in the event of a sufficient number concurring in the general idea, and in New York city as the place of meeting, I have to say that I will cheerfully take upon myself, with the aid that has been kindly proffered me, the entertainment of those attending, and the furnishing of all necessary conveniences for the gathering.

"I am, most respectfully yours, &c.,

"GEORGE W. MILLER."

Mr. MILLER continued: It gives me very great pleasure, gentlemen, to be able to say that, from almost every state addressed, I received a cordial and generous response, and that to-day we have with us the representatives of very many of those states in attendance here with the design of entering, I hope, calmly and deliberately upon the consideration of those subjects which are fraught with so great importance to the public welfare and the general business interests of the whole country. Without detaining you further, I will name the Hon. Albert W. Paine, Superintendent of Insurance in the state of Maine, as temporary chairman.

Mr. PAINE said: I thank you, gentlemen, for the honor now conferred upon me, for which I must give the credit to the fact that I represent the state which stands at the head of the list as the states are generally called. As we have met for business, it is hardly proper for me to take up time by saying more, therefore I proceed at once to the business of the day. In order to have our proceedings properly recorded, it is necessary that we should have a secretary. I would suggest that a secretary be appointed outside of our number, because it is to be presumed that every member will have other duties to perform.

A DELEGATE—I propose the name of Mr. Henry S. Olcott, a gentleman long connected with the press, and a very fit person, to perform the duties of secretary.

Mr. OLCOTT was appointed secretary, *pro tem.*

Mr. PAINE—It is proper that we should know, before proceeding further, of whom our body consists.

A DELEGATE suggested that the states be called in order, and the president, *pro tem.*, so ordered. Each delegate present, as his state was called, came forward and recorded his name in the secretary's book. The following is the list of those who responded:

LIST OF DELEGATES.

California—C. L. Skeels, proxy for the insurance commissioner.

Illinois—Geo. M. Brinkerhoff, superintendent of the insurance

department, for auditor of the state, and William E. Harvey, actuary of the insurance department, of the auditor's office.

Indiana—W. W. Caldwell, deputy auditor.

Kansas—W. C. Webb, superintendent of insurance.

Kentucky—Gustavus W. Smith, insurance commissioner.

Maine—Albert W. Paine, insurance commissioner.

Maryland—Levin Woolford, comptroller of the treasury, and C. A. Wailes, chief clerk of the treasury and superintendent of insurance.

Michigan—Samuel H. Row, commissioner of insurance.

Minnesota—A. R. McGill, governor's private secretary.

Missouri—C. E. King, deputy superintendent of the insurance department.

Nebraska—Aug. F. Harvey, actuary of the Missouri department, proxy for J. Gillespie, auditor of Nebraska.

New Hampshire—Oliver Pillsbury, insurance commissioner.

New Jersey—Henry C. Kelsey, secretary of state.

New York—George W. Miller, superintendent of insurance department,

Pennsylvania—J. M. Forster, for J. F. Hartranft, auditor general.

Rhode Island—Joel M. Spencer, insurance commissioner.

Tennessee—T. A. Atchison, by executive appointment.

Wisconsin—Llewellyn Breese, secretary of state and ex-officio commissioner of insurance.

The CHAIRMAN—The call having been completed, shows that eighteen states are represented at the present time on this floor by twenty delegates, two delegates appearing for Illinois and two from Maryland, so that one-half of the states of the Union are represented here.

Mr. PILLSBURY—I move that a committee of three be appointed by the chair to nominate officers for the permanent organization of the convention.

The motion was carried, and the chairman nominated as such committee Mr. Pillsbury, of New Hampshire, Mr. Smith, of Kentucky, and Mr. Brinkerhoff, of Illinois.

Mr. MILLER—I beg to state that I have advices from quite a number of the states from which no response has been received on the call of the roll, and I presume that quite a number of delegates will yet arrive and present themselves. I regret very much that from the state of Massachusetts I have advice that neither Mr. Clarke, nor Mr. Sanford, will be able to attend, at all events not this week; and I will hand to the secretary a short communication received this morning from Mr. Clarke, which I know will interest the gentlemen present. I have also one from Mr. Sanford. Also, a letter from Mr. Mowe, of California, which I think will also be of interest to the convention, in which he signifies his inability to attend.

The secretary, Mr. OLCOTT, then read the following letters:

“COMMONWEALTH OF MASSACHUSETTS, }
“OFFICE OF INSURANCE COMMISSIONER, BOSTON, May 23, 1871. } ”

“HON. GEORGE W. MILLER:

“*My Dear Sir:* I have been hoping, for some days past, to be able to participate with you and others in the proceedings of the insurance congress about to assemble in New York; but the prolonged session of our legislature would inevitably prevent my attendance, even were I not detained by impaired health, which, I am sorry to say, is but slightly improved since I last wrote you.

“Deeply regretting my inability to be present, I can only express my cordial interest in the approaching congress, and my earnest desire that

it may prove a perfect success, and that its deliberations may result in substantial and lasting benefit to the insurance world.

(Signed,) "I am, very respectfully, etc.,
"JULIUS L. CLARKE,
Insurance Commissioner of Massachusetts."

"TAUNTON, May 20, 1871.

"HON. GEORGE W. MILLER, *Sup't of Insurance Dep't, N. Y.:*

"My Dear Sir: I had the honor to receive, through Mr. Clarke, our insurance commissioner, your invitation to the convention, on the 24th inst., and have delayed acknowledging it until I knew with certainty whether I could attend. I am sorry now to find that the day proposed is also that assigned for winding up our legislature, and that my duties will keep me here.

"Wishing you great success in the convention, and in the important position you hold, and hoping to have the pleasure of your acquaintance at an early day, I am sincerely yours,
(Signed,) "J. E. SANFORD."

"OFFICE OF INSURANCE COMMISSIONER, }
SAN FRANCISCO, May 11, 1871. }

"HON. GEO. W. MILLER, *Sup't Ins. Dep't, Albany, N. Y.:*

"Dear Sir: Mr. Mowe desires me to express to you his extreme regret at his inability, from serious illness, to attend the convention of insurance commissioners on the 24th inst.

* * * * *
"Mr. Mowe being, for the same reason, unable to supervise the duties of his office, it is also impossible for me to attend the convention as his deputy, as there is no one sufficiently familiar with the office details to take charge during my absence.

"These facts have been submitted to the local underwriters, and at their earnest request that this office and the insurance interests of California may be represented in the convention, the actions of which are looked forward to with much interest, as all appreciate the importance of the meeting, and are assured that it will be productive of much good, Mr. Mowe has delegated Mr. Christopher L. Skeels, of New York city, as such representative.

"From Mr. Skeels' former experience in your department, at Albany, and his practical knowledge of all branches of the insurance business, Mr. Mowe feels assured that this office will be ably and acceptably represented.

"Mr. Mowe's regrets are aggravated by the fact that he is unable to meet and become acquainted with you and his other brother officers—a meeting he had anticipated with much pleasure. Very respectfully,
(Signed,) "A. D. SMITH, *Deputy Commissioner.*"

"EXECUTIVE OFFICE, }
"TALLAHASSEE, FLA., April 21, 1871. }

"GEO. W. MILLER, Esq., *Supt. of Insurance Dep't, Albany, N. Y.:*

"Sir: Your favor of the 12th is received, and in reply I have the honor to say that I shall be most happy to have the state of Florida represented in the convention proposed for the 24th of May. We have as yet no settled policy on the subject referred to, and I am anxious that the next legislature should adopt a sound system. I will, therefore, either be present myself or send a proper representative to meet with you as proposed. Very respectfully, your obedient servant,
(Signed,) "HARRISON REED, *Governor of Fla.*"

" STATE OF LOUISIANA,
 " OFFICE OF SECRETARY OF STATE,
 " NEW ORLEANS, March 30, 1871. }

" HON. GEO. W. MILLER, *Supt. of Insurance Dept., Albany, N. Y.*

" *Dear Sir* : I am this day in receipt of yours of the 23d inst., giving me further information relative to the proposed insurance convention to be held in New York on the 24th day of May next. I am pleased to learn that your proposition has met with so much encouragement, and hope it will ultimately be crowned with perfect success. You must bear in mind that, if I present myself for admission as a member of your convention, it will probably be without the slightest authority from the state, as there is no officer in this state charged with any duty connected with the subject of insurance. I shall, however, consult with the governor, lieutenant-governor and speaker of the house of representatives, that I may, if possible, secure their approval.

" My object will be to present to the legislature, at its next session, a report setting forth the action of the convention, its recommendations, etc., together with my own views as to the best plan of establishing an insurance department. As every deliberative body is the judge of the qualifications of its own members, I presume there will be no objection to my occupying a seat on the floor of the convention, unless some one appears with better credentials as a representative from Louisiana.

" All the bills presented to the legislature of this state at its last session relative to the subject of insurance, failed; therefore we have no laws to repeal, and can profit by the combined wisdom and experience of other states at the outset.

" Hoping to hear from you again, I remain, respectfully yours,

(Signed,)

" GEO. E. BOVEE, *Secretary of State.*"

The CHAIRMAN.—I understand there are several other letters which the superintendent has received, which will be read at the next session.

REPORT OF COMMITTEE ON PERMANENT ORGANIZATION.

Mr. PILLSBURY—Mr. Chairman—your committee on permanent organization report for president of this convention the Hon. George W. Miller, of New York; for vice-president, Hon. Llewellyn Breese, of Wisconsin; and for secretary, Mr. Henry S. Olcott, of New York.

The report of the committee was accepted and the officers named were elected.

Mr. MILLER then took the chair and addressed the convention as follows:

GENTLEMEN OF THE CONVENTION:

For the honor conferred in selecting me to preside over your deliberations, I most respectfully return you my earnest thanks. If I did not feel that this evidence of your respect is more a recognition of the part I have taken in bringing about this meeting, and of the prominent position of the great state whose humble servant and representative I have the honor to be, than of any personal claims, I should be strongly disposed to urge that some more experienced and able gentleman be called to occupy the chair. Having assumed, however, the responsibility of inviting you to convene, I shall bow gracefully to your will, and, depending largely upon your kind indulgence and aid, discharge the duties to the best of my ability.

Although the general object of this convention is well-known to you all, still, perhaps, it will not be amiss for me here and now, briefly to occupy your attention with a few remarks, somewhat explanatory of the views which induced me to suggest it.

To you, gentlemen, the official representatives of many of the states in the Union, charged with the administration of the laws relating to insur-

ance, any extended historical dissertation upon the subject would be out of place, and is, of course, entirely unnecessary. You will pardon me, however, if I recall to your attention a few facts. That contracts of insurance of one character or another have for many years been known to, and entered into, by the commercial world is well-known.

Neither was it left, as many in this country doubtless suppose, for the modern inventive genius of our own country to devise the greatest variety of insurance contracts or schemes. Marine, casualty, fire and life insurance, besides an almost incredible number of peculiar and, oftentimes, ridiculous, special insurances, were practiced in the old world long before the foundation of our government. Some of these peculiar projects such, perhaps, as "assurance against thieves," or "insurance against divorces," which existed in England more than a century ago, may, possibly, by the course of events in our own country, be here revived.

But, although insurance has been practiced so long, I apprehend there is a very general impression in the public mind of this country that there are in existence at this day, either here or in Great Britain, no life assurance companies of any very considerable age; that if any were formed much more than a generation since, they have ceased to exist. This impression is erroneous, and should be corrected. There are to-day, in operation in Great Britain two life companies organized more than one hundred and fifty years ago, and sixteen which have been doing business over half a century. The first life company was organized in this country in the state of Pennsylvania, in the year 1812, but it was not until about twenty-five years ago that the business began to assume any considerable magnitude or importance here. Since that time, but most particularly during the last ten or twelve years, its development has been truly wonderful. We have, at this time, more life companies than Great Britain, and insuring a larger amount. Whilst in Great Britain, however, there are companies venerable with age, it must not be forgotten that those which have had fitful lives and met an inglorious death, are numbered by hundreds. Let us bear in mind both the good and the evil, the blessings and the sorrows which have followed the course of life assurance in the old world, and see if we cannot do something to secure to future generations, the one and avert the other.

The propriety, the necessity, of fire and marine insurance needs no demonstration; it is in regard to life assurance that all the doubt exists. But from what cause springs the doubt? To my mind, plainly from the want of that which I have fondly hoped may be the ultimate result of this convention, to wit: an intelligent, comprehensive and uniform system of supervisory and legislative action, which will prevent the possibility of the failure of any company to possess the ability to meet its obligations.

I do not purpose entering into any argument to demonstrate the utility of life assurance. Its benefits, properly conducted, are manifest, and it has been commended by the highest authority, but most of all, by experience. There have been hundreds of companies in Great Britain within the past century, many of which have passed away, and about one hundred of which still remain; of these, forty companies have, since their organization, paid to claimants about six hundred millions of dollars. The amount paid by the other companies has not, I believe, been made public, but it would undoubtedly more than double the sum named. By this twelve hundred millions of dollars, the wants of how many bereaved and sorrowing widows and helpless orphans have been relieved? Who can say how many families have from this source derived the means which have brought them to our shores? But, notwithstanding the immense sum which has been received and disbursed by life companies, we have the startling fact in the history of British life assurance, that within the past thirty years some *two hundred* companies have in one

way or another, gone out of existence. The mere suggestion of this fact seems at once to prompt the inquiry: What was the cause of this surprising mortality of companies, and is there any danger of a similar experience here? The principal causes of the numerous failures seem to have been:

1. The too great facilities afforded for organizing companies.
2. Fraudulent designs in their inception.
3. Incompetence, extravagance and dishonesty in their management.
4. Lastly and mainly, the want of any proper governmental check or supervision to either prevent or suppress the above named evils.

It is true, that for nearly two hundred years, the British Parliament had from time to time appointed investigating committees, but they proved unavailing and no substitute for a well organized, efficient supervision. The idea of a separate department or officer of government, vested with supervisory powers, was first put in practice in this country, in the state of Massachusetts, in the year 1857. In 1859, the legislature of New York passed an act, organizing an insurance department, and since that time several other states have organized insurance departments or bureaus, and there seems to be every reason to expect that all the other states will soon follow their example. With these rapidly increasing state departments, and the various, and in some cases, crude legislation of the different states accumulating, it began to look as if there might be a danger that supervision would be overdone, and the companies supervised to death. Without some harmony and reasonable consistency in legislation, and the methods and burdens of supervision, it was apparent that the great and beneficent institution of insurance was liable to suffer great injury.

Properly harmonized, however, duly perfected, and a reasonable and enlightened uniformity and reciprocity established between the states, and there is no reason why every state should not have its insurance bureau, and why all should not prove great public blessings.

Although we have, and those here present represent, many states, still, fortunately, all belong to one common country, and all should, and I trust will, study the common interest. I presume that all whom I have the honor now to address will concur with me in the view that the true object and aim of governmental supervision should be to afford the fullest possible protection to the public, with the least possible annoyance or expense to, or interference with, the companies. To see to it that the companies possess and maintain the means and ability to fully respond to all their contracts and obligations, rather than to assume to dictate their details or terms.

It is hardly necessary for me to refer to the matters in regard to which the different laws and requirements of the several states have been already felt to be onerous without producing any corresponding benefit, and I shall certainly refrain from any discussion, or even expression of opinion, at this time, in regard to what should or should not be done as to any particular matter. I feel, nevertheless, that it may not be improper in a general way to refer to the subjects which have occurred to me as among those which might profitably occupy your attention.

These subjects, I may say, have presented themselves to my mind under two classes:

First. Those which are now or may be, substantially, matters resting within the discretionary powers of the officers of the several states having charge of insurance interests, such as, the forms of annual statements; the credit to be given to official certificates; the adoption, if practicable, of some insurance nomenclature designating, so as to be universally understood, the various forms of policies, etc., etc., by certain names or terms.

Second. Those matters which are of a legislative character. With

no power, of course, to control legislation; yet it would seem that an expression of any well considered views or recommendations upon subjects which have been deliberately considered and discussed by those familiar with the working of the system to be effected and arrived at with any reasonable unanimity, must have some effect with the legislatures of the states. Of the matters to be affected by legislation it would seem that we might profitably consider

1. The question of the possibility of the adoption of a uniform standard or system of computing the reserve or policy-liabilities of the life, fire, and marine companies.
2. The subject of deposits to be made by companies in the states.
3. Taxation.
4. Investments.
5. Dividends, particularly in life companies, and upon capital stock when a portion of the capital is required to make up the reserve.
6. What to be considered *assets*, particularly in life companies.
7. How to bring about, generally, the broadest uniformity, simplicity, security and reciprocity.

These are some of the topics which, I have assumed, would receive your consideration. Others, no doubt, will have occurred to you, and be duly presented.

The magnitude of the interests involved, gentlemen, demands, at our hands, a careful, liberal and patient consideration of the various subjects. When we reflect that the amount insured by the various companies, of the different kinds in this country, exceeds the sum of six thousand millions of dollars, we certainly can readily appreciate the propriety of great deliberation. It is believed, and I think, with good reason, that, as a general rule, the companies having this vast amount at risk are now in a solvent and prosperous condition, affording due protection to the insuring public. Let us see to it, that, if a reasonable doubt exists anywhere, it is removed, and that a general system be adopted which will secure the healthful development of this great branch of business, and command public confidence.

Gentlemen, I cannot close without making a grateful acknowledgment of the very kind and cordial manner in which you have responded to my suggestion of this meeting.

Without detaining you longer, allow me to ask the further pleasure of the convention. [Great applause.]

Mr. SKEELS—I suppose we are all situated similarly, without any fixed purpose in view, as to what line of operation to pursue. I have drawn a resolution which may serve as an entering wedge to discussion, and bring out the best plan of procedure. It is as follows:

Whereas, The reciprocity of the underwriting business between the several states calls for a greater degree of uniformity in the supervisory laws governing insurance companies than now exist; therefore, with the view of remedying the evils which have become so burdensome, be it

Resolved, That the subjects for the consideration of this convention be divided as follows:

1. The laws relating to life insurance, and the forms required for making annual statements showing the condition of the companies.
2. The laws relating to fire and marine insurance, and the forms required for making annual statements showing the condition of the companies.
3. The laws relating to inter-state taxation, deposits as security to policyholders, and licenses by municipal authorities.

And, that the chairman be authorized to appoint committees composed of five members each, to which shall be referred the subjects embraced in the foregoing classification.

The PRESIDENT—You have heard the resolution read by Mr. Skeels; what is your pleasure in regard to it?

Mr. PAINE—It is taking the convention a little early, to prescribe what we shall do, and make a programme for our guidance.

Mr. SKEELS—I have no objection to the resolution lying on the table.

The PRESIDENT—If there is no objection, that will be the action of the convention.

Mr. PAINE—I notice with regret the absence from our number of two of the most important departments in the United States, next to New York—I refer, of course, to Massachusetts and Ohio. I would ask if you have heard from Ohio? I expected to meet Mr. Godman here.

The PRESIDENT—I will state that I had advices from Ohio, and fully expected to see Mr. Godman here, or a representative, and I have no doubt that some one will appear.

Mr. PAINE—In reference to Ohio, I will say nothing more, because Mr. Godman will be here himself, or will send a representative.

From Massachusetts we have heard, and what I was about to say has reference more particularly to that state. The state of Massachusetts, as we all know, was the first in the list of states that instituted supervision by commissioners, and is perhaps more involved in the questions that may be presented to us at this convention than any other state; and I feel extremely unwilling to proceed in the matter of our business without the co-operation of that state. I feel that any course we might adopt would be almost trivial, or in a great measure so, without her. There are questions that will arise, already indicated, which may bring up peculiar features of the Massachusetts laws, wherein they vary from the New York laws. Now—I will say it plainly—I mean the valuation of life policies. It is a matter of extreme regret, I have no doubt, to every company in the life business, and, I think, to all commissioners, that there should be this disagreement between those two states, making necessary a very large amount of additional labor for the companies to value their policies, and producing all the time so great an amount of difficulty among those who are, as well as those who are not, acquainted with the subject.

The able commissioner for Massachusetts, Mr. Clarke, has presented himself here by letter, and states that he hesitates to say whether he can be here this week. He may be here next week, but I do not like a delay of three or four days, for I am in hopes that we shall have proceeded far in our work before the week closes. Mr. Clarke has an able deputy superintendent in the person of Mr. Sargent, and Ex-Commissioner Sanford, we all know, is a very able man in the business. And there are other individuals now present, who, in point of ability, are before us all. I think from one of them we should obtain a representative at this time; therefore I rise to make this motion: That there be immediately transmitted to the commissioner of Massachusetts, by telegram, a special and urgent invitation for the commissioner to be here personally, or by delegate, to participate with us in the proceedings of this convention, and that that communication be forwarded by the president of this meeting.

The motion of Mr. Paine was carried, and the president directed the secretary to prepare a telegram in accordance with the terms of the motion.

The PRESIDENT—It will not be improper for me to state that inasmuch as the correspondence has proceeded through me, I have received three or four letters from Mr. Clarke, on the subject, and he has from the first expressed a very great interest in the matter, and until the last letter before the one I received this morning, I had every expectation that he would be present, but I have no doubt he has stated exactly the reason why he is not here. It perhaps is not known to you, however, that a distinguished gentleman in insurance business, Elizur Wright, is present with us. I invited him to come and participate in the business of the convention, on account of his well known and long established reputation in connec-

tion with the business, and I think if Mr. Clarke, or his deputy, cannot come, Mr. Wright may be requested to represent them—although I have no right to say it will be done. Mr. Wright is here himself, and I am happy to inform you of it.

MR. W. E. HARVEY—I will offer the following resolution:

Resolved, That the convention invite Hon. Elizur Wright to participate in this convention as the representative of life insurance interests at large.

The PRESIDENT—I would suggest to the gentleman that in view of our sending a telegram to Massachusetts, it would be better to defer action on this resolution for the present.

MR. W. E. HARVEY—Then I will propose that it lay upon the table, and request that the chairman offer it hereafter at the proper time.

The PRESIDENT—Is there any further business at this time?

MR. PAINE—Mr. President, the resolution having been introduced by the gentleman from Nebraska, and having been laid upon the table, I rise to say a word further in that same direction. I hope the convention will, at least so far as it can, prepare the work to-day, so that we can go on with it to-morrow with some efficiency.

MR. PRESIDENT—As you have already, in your preliminary remarks, very well suggested to this convention, there are a very large number of subjects which may come before us during our sessions. The number is infinite—in fact, all the question is, how much of our time shall we devote, and what shall we devote it to. Now, I suppose, every gentleman in this convention has more or less of a bundle of subjects which he wants considered here, upon which he desires light. I know it is the case with myself. There is, for instance, the question of assets. What shall be regarded as assets, especially with life insurance companies? More especially in what light shall we view that class of things we call assets, which make appearance in our reports under the name of deferred premiums, and premiums in the hands of agents, generally reported by the life insurance companies as “cash” in the hands of agents,—what importance is to be given to them?

I have in my mind now, and I mention it because it illustrates an evil that is going abroad in the land, a little incident that took place in my office a few days ago, when a canvasser came to me and wanted to know the character of a certain company. It is a company whose name I shall not give, for it is not a company in which I should wish to get my life insured. Upon his asking me the question, not being willing to give my opinion, because as a commissioner I do not regard myself as the advocate of any company, I therefore refused to give any opinion. It is a company in which the item of deferred premiums, and premiums uncollected, and office premiums, and cash in the hands of agents, and \$100,000 in Albany, make up pretty much the entire schedule. Said he, “Mr. Paine, look at it; what do you call the best companies?” I said, “I suppose I can answer that very readily; the companies with the largest funds. Said he, “look at the list; with the Mutual Life of New York the ratio of assets to liabilities is 107; with the Connecticut Mutual it is 114; with my company 150”—and it was away up above that, and all made up of these uncollected premiums.

It struck me at the moment, that if there was any one subject that it was important for us to deliberate upon here and decide, it is to decide what are those unearned premiums worth? I am not going to discuss the merits of the point here. But it would certainly relieve me, and I have no doubt, every commissioner who has taken this into consideration when he is judging of the value of life insurance assets.

Then, as to marine and fire insurance. Companies have complained of me and asked why should you require that the total amount of premiums on risks not terminated be given? One of our companies was made largely deficient in its capital because of that item. Having commenced

nine or ten months ago, I required nine-tenths of them and gave it in my report, making it really an impairment of the capital. Whereas, if we had put down three-fourths only, they would have had a very good amount of capital.

There seems to be a question there, What should we require as a measure of liability on unexpired risks? I have required the whole amount, and insurance commissioners have generally required it.

Then comes up the question in fire insurance. I don't know as there has been much complaint, but there has been a good deal of confusion in this matter. Your predecessor in office, one year took forty per cent; but I am very glad to see that you have come back to the old standard of fifty.

These are questions which ought to come up here, and I think they ought to be added to the list.

Then comes up a very important question in this life matter. What will you do? You can't strike out. If, in your valuation, you give to the life companies a liability of a certain extent, which depends, for its existence, upon the payment of the deferred premiums, how would you work it? Here is, in one sense, an asset which is of value. It is an asset of a credit to go against a debit of its own policy. This, in my mind, is one of the most important questions we have to decide here. On it hangs the fate, in great measure, of the life business of the present day. Take those unearned premiums out of the way and several companies would fare very badly, not in real prosperity, not in real strength, but in advertising.

I merely make these remarks preliminary to a motion that I make, that a committee be appointed immediately to proceed to consider this subject, and report to us to-morrow, a course of business for this convention to adopt. And this committee would parcel out these duties for other committees, perhaps, to work upon.

I would like the views of others, however. It strikes me that we ought not to adjourn with nearly half a day before us. I am anxious that we get to work, do our work, and then adjourn and go home.

Mr. G. W. SMITH—I rise to ask a question. In answer to your first letter, I took the liberty of suggesting that you would request prominent gentlemen in different branches of insurance—the leading men in the business—to lay before this convention their views. I merely rise now to ask whether you have received any such communication, and when?

The PRESIDENT—I will state that, in pursuance of a suggestion made by the honorable gentleman from Kentucky, and some others, I communicated with the Hon. Elizur Wright and, through Mr. Clarke, with Mr. Sanford; I spoke with Mr. Barnes, my predecessor, and communicated with several other gentlemen, and also with several organizations, as, for instance, the Chamber of Commerce and with the Board of Underwriters, whose rooms we are occupying; and the suggestion was made to the life companies generally, that they should submit to this convention communications containing their ideas in regard to the subjects which it would be material and profitable for this convention to consider. And it was with the view, of course, to get all the subjects before us, and then, according to the suggestions of the gentleman which I am pleased to hear named, of submitting these subjects to a committee, and to the action, finally, of the convention, and selecting those upon which it was deemed most profitable to consider. Of course, we cannot travel over the whole field of insurance, and we must necessarily select certain subjects for consideration and action. I suppose that the intent of this resolution is, that this committee, if appointed, shall receive these different communications, and that after the committee report upon them they will be laid before the convention, for its consideration.

Mr. SMITH—Are we in a condition now to do anything but appoint this committee that is to arrange the work of the convention?

The PRESIDENT—I should think not. It will be the duty of that committee to classify subjects, and then name the committees to which they will be referred.

Mr. SMITH—It seems to me that if that committee is named in the meanwhile, before they make their report, there will be nothing practicable for us to do here, and as I have no speeches to make, I propose that we adjourn.

The resolution offered by Mr. Paine was then carried, and the president named as the committee Messrs. Paine, of Maine; Kelsey, of New Jersey; and Smith, of Kentucky.

On motion of Mr. Paine, the president of the convention was added to the committee as chairman.

The president then read, as the communication drafted by the secretary to be telegraphed to Mr. Clarke, of Massachusetts, the following:—

" NATIONAL INSURANCE CONVENTION, }
 " NO. 156 BROADWAY, NEW YORK, May 24, 1871. }

" HON. JULIUS L. CLARKE, *Insurance Commissioner, Boston, Mass.*:
 " The delegates of eighteen (18) states, assembled in national convention, have directed me to most respectfully, but urgently, request you to immediately cause your insurance department to be represented in its body by yourself or proxy. The magnitude of the interests involved, and the importance that perfect harmony of inter-state action should be secured, makes it, in the opinion of the convention, of the first consequence that Massachusetts should have a voice in its deliberations. Your answer by telegraph is requested.
 " GEORGE W. MILLER, *President of the Convention.*
 " Attest: H. S. OLCOTT, *Secretary.*"

The PRESIDENT—I would state, gentlemen, that the Board of Underwriters have very kindly tendered us the use of these rooms, not only during the sessions of the convention, but at all times. There are in connection with this room two or three others which may be used by the gentlemen or by the committees, at their pleasure, during the entire continuance of the convention.

And I have also to say that I have received a communication from the Equitable Life Assurance Society, through its president, inviting the gentlemen in attendance at the convention to visit their buildings and receive and partake of their hospitality at such times as may be convenient to them, either personally or in a body. If any time shall be indicated, they will be happy to receive you. Is there any further business before the meeting?

Mr. W. E. HARVEY—I think I understood you to say that you had invited the insurance companies to make suggestions to this convention. I move that they be requested to hand in their communications to this committee that has been appointed, who are to dispose of that, and assign them to their various committees.

Mr. SMITH—I was about to enquire whether it was understood that the fact that parties hand in their communications would exclude them from appearing before the convention, and presenting their views perhaps more at length than they would feel like doing in writing. I merely make the enquiry as to what would be the understanding if the motion should prevail in the form in which it is put.

The PRESIDENT—Of course I may state to the gentleman that I have not assumed to fix any programme for the working of this convention, and preferred to leave the matter open to be arranged according to the views of the gentlemen after they get here. Therefore, of course, we have neither rules nor any specified order of proceeding, and it is for

you, gentlemen, to shape the course of this convention, and I hope there will be entire freedom here in expressing views; that no gentleman will hesitate for a moment to make the suggestions that occur to him as practically useful and important to the interests we are here to subserve, and that there will be no diffidence or hesitation; and that you will presume from the outset that there is nothing arranged, but that you are to control the whole matter.

Now, as I have before said in pursuance of the suggestion of the gentleman, I have invited parties to submit their views to the convention, because I assumed that the convention would be willing to hear, when it assembled, all who had any light to throw upon these subjects. Not, of course, that these gentlemen are to be represented in the convention, not that they are to influence its action, but we want before us all the subjects which may be suggested as proper, and then to select such as we may desire to act upon, and that is the view I understand of my friend from Maine.

I only regret that, as I am informed, some of the communications to be presented are not fully prepared yet, and that some of them will not be presented to-day. But they are in course of preparation, and will be presented in a day or two.

At the same time, I can see no reason why the committee cannot be engaged in the consideration of some subjects, because we know what a great many of the subjects are that must necessarily come under our consideration, and the committee may be preparing for those, and arranging the programme of the proceedings of the convention.

Mr. PAINE—As one of the committee named, I would say that we do not want any elaborate communications this afternoon, in writing. I would like, myself, to meet this afternoon anybody that has a word to say, orally or written, in this room, or at our hotels—I don't care where—to name subjects which we may conclude to accept as the subjects which will occupy our attention. And then, when these subjects are under discussion, I hope the convention will hear anybody that has anything to say on them. We are here as a grand jury of inquest on the insurance body—not for indictment, but to find the best system for practice, and I feel that we want the utmost information that we can get, let it come from whence it will. I will thank any man in the United States, let him be who he will, to come forward and give any light when these subjects are under discussion; and I hope we will find a correct verdict upon the case.

We are here, as I understand it, as the friends of the companies, and as the friends of the public, and if there is any conflict between the companies and the public, I hope we are the intermediate parties who may be able to settle or compromise that matter, and bring them to one. But I don't understand that there is a great want of harmony. The commissioners stand on the middle ground. They are the power which brings the companies and the public together, and keeps the one safe and the other secured.

Now, I say, that whatever place is agreed upon, whether here or at our hotel, I should be happy to receive any intimation from any individual whatever, as to the subjects, and not the merits of the subjects, to be brought before the convention; and then, upon our report, I hope that we shall hear them upon the merits. That is my idea as one of the committee. I will ask the president where he proposes to have the committee meet.

The PRESIDENT—As I stated before, there are rooms here, and there is a large room provided at the hotel—room 52, Fifth Avenue Hotel—for the common use of the gentlemen of the convention, and they can meet either here or there.

Mr. ATCHISON—As the action of this convention is to be purely advisory, I move that all the executive officers and actuaries of the insur-

ance companies be invited to participate in the deliberations of this convention.

Mr. KELSEY—I think that might, with propriety, be left to the committee which has just been appointed. If I am correctly informed, the representatives of the life and fire interests in this state, and also of the commercial interests, have anticipated a convention of this body, and, through committees that will be appointed, will, at the proper time, be ready to co-operate with the convention. It strikes me that the proper course would be to consult informally with such gentlemen connected with the life and fire interests as might choose to come before them. I, for one, as a member of that committee, would be very glad indeed to hear those gentlemen whoever may choose to come. I think that all the members of the committee will coincide with that view. We can be aided very much in our duties by gentlemen qualified, perhaps, better than any gentleman on that committee; better, I am sure, than myself. And, so far as the organized interests are concerned, as I said before, of life and fire insurance, and of the commercial community of New York, it would be proper that their views should be presented to the convention, and not to the committee. I merely make this suggestion, that the committee we have appointed be left to adopt such a course, touching communications, in regard to fire, life and commercial interests, as to them it may seem best.

Mr. W. E. HARVEY—I understand that this committee was appointed for the purpose of determining the questions to be discussed by this convention. I understand that a number of gentlemen have prepared matter for this convention to consider, and if that matter can be handed over to this committee, and let them take it up and determine how much or how little of it shall be discussed. I think it would be a good thing. I do not mean, however, to go into the details of it. Let the gentlemen who represent these various interests, appear at length, hereafter, and give the point, and object, they wish discussed. That was the object of my motion.

Mr. PILLSBURY—I would move an amendment to the motion of the gentleman from Tennessee, that that subject shall be left with the committee already appointed. This would seem to me opening a very wide door, and it seems to me it would more safely be lodged with that committee.

Mr. ATCHISON—I have no objection to the reference of the resolution which I have offered to that committee. It seemed to me that, as we wanted light on these subjects, perhaps there might be some luminous bodies about us who could give it. It was with the view of getting the largest amount of information that I desire to add the number of men that I see around me. I acquiesce in the suggestion of Mr. Pillsbury.

The motion of Mr. Atchison, as amended, was then carried.

The PRESIDENT—I was about to suggest, if the convention will indulge me, that this committee meet at room 52, at the Fifth Avenue Hotel, this evening, and that it may very properly receive communications which any person or persons may choose to present. Of course, the formal views and documents, if such are in existence or in course of preparation, should be presented to the convention hereafter. But I see no reason why this committee may not receive its work, and begin to map out, and perhaps fully succeed by to-morrow's meeting in mapping out, for instance, the sub-committees which are to be appointed, and a general classification of the subjects, which will be sure to cover all that will be presented, and ultimately considered as proper to be discussed and acted upon. Of course we don't want to wait and rest two or three days here, deferring action until parties have prepared and presented views. I suppose we have subjects upon which we can proceed to act. There are certain subjects that we all have one opinion in regard to the necessity of considering, and to those we may proceed,

and this committee can report, if not a full programme, at least something to do to-morrow. Therefore, I suggest the meeting to-night.

The motion, now, of Mr. HARVEY, of Illinois, that parties having prepared matter for submission to the convention present to the committee, was then put and carried.

The PRESIDENT—I would suggest that this committee be also authorized and requested to report such rules as they may think necessary for the general guidance of the convention.

Mr. BREESE—I would make the motion that this committee be instructed to report the time for the convention to meet from day to day, as well as rules. Carried.

On motion of Mr. Smith, of Kentucky, the convention then adjourned until Thursday, at 12 M.

SECOND DAY.

NEW YORK, *May 25, 1871.*

The National Insurance Convention of the United States re-assembled, pursuant to adjournment, at 12 M., at the rooms of the New York Board of Fire Underwriters.

The PRESIDENT requested such delegates as might be present, who did not respond yesterday when the roll of States was called, to step forward to the Secretary's desk, and register their names.

Mr. BENJAMIN NOYES, commissioner of insurance, of Connecticut, registered his name.

Mr. SPENCER moved that the reading of the proceedings of yesterday be dispensed with.

The motion was agreed to.

COMMUNICATIONS FROM GEORGIA AND MASSACHUSETTS.

The PRESIDENT announced two communications from Julius L. Clarke, commissioner of insurance for Massachusetts; also a communication from the Governor of Georgia, and a communication from the Comptroller General of Georgia.

The communications were read as follows, by the secretary:

“EXECUTIVE DEPARTMENT, STATE OF GEORGIA,
“ATLANTA, GA., *May 17, 1871.*”

“Hon. GEORGE W. MILLER, *Sup't of Insurance Dep't, N. Y.*”

“*Dear Sir:* I regret exceedingly that the Hon. Madison Bell, Comptroller General of this state, and the officer under our law who has charge of the insurance business, finds himself entirely unable to be present with you in your convention. Major Bell has, however, forwarded to your address a communication on the subject, with copies of laws, forms, certificates, reports, etc., etc., as prepared by himself, and I trust that you will find his communication to be of such a character as to be received by your convention, and read and be placed upon the minutes of your proceedings. Very respectfully,

(Signed,) “RUFUS B. BULLOCK.”

“COMPTROLLER GENERAL'S OFFICE,
“ATLANTA, GA., *May 16, 1871.*”

“Hon. GEORGE W. MILLER, *Sup't. Insurance Department, N. Y.*”

“*Sir:* Your letters of invitation to the insurance officer of this State, to attend an insurance convention to meet in New-York on 24th inst., have been handed me by his Excellency Governor Bullock, for the reason that the

Act of March, 1869, to regulate insurance business, &c. in this state, constituted this office the superintendent of that business. Prior to that time, no such superintendency existed, and every insurance company, from whatsoever state or county, was free to transact business in the state without let or hindrance, all that was required being an annual state tax on the premiums received. Under the provisions and operation of the act referred to, I am satisfied that much good has been accomplished and considerable evil repressed, especially by reason of the inability of unsound or bogus companies to come up to the standard laid down by law, by which they have been entirely excluded from the state. The business of insurance expands with the increase of population, and the returning prosperity of our material interests—and at present it has assumed greatly increased proportions, to what it was a few years since. From the short period of time for which I have had charge of the business, and the consequent brevity of my experience therein, it follows that my knowledge of this business is necessarily limited. Nevertheless, I am satisfied that the convention which has been called at your instance, as I understand, is a wise movement in the proper direction, and, if well attended by the proper material in the way of delegates, is likely to result in great advantage to the business of insurance, as well as to the interests of the country at large. I beg leave to return you my thanks for the invitation to attend and participate in your deliberations, and to express the regret that I feel at my inability to do so. I assure you it would be a pleasure for me to participate in proceedings which I believe are fraught with so much interest to the whole country.

"I trust the different elements, which will compose your convention, will prove harmonious, and that such action will be taken as will tend to harmonize and make equal, the laws governing insurance in all the states; and, that those states that have passed unfriendly or restrictive laws as to companies from other states may be induced, by the action of your convention, to repeal such laws at an early day, and to leave to capital and enterprise the freest scope, into whatever locality they may see fit to go. And especially is it desirable, that those states that prevent companies organized under their laws from investing their capital in other states, may have their eyes opened to the folly of such restriction, so that it may be erased from their statute books at a very early day. Were all these odious laws repealed, retaliatory legislation would at once be repealed and abandoned by those states that have adopted it, and it would not be many years until there would be a just, honorable and harmonious system of insurance operating throughout the whole country.

"I send you the desired papers, to wit: one of our blank statements, a copy each of certificate of authority to company and agent, and a copy of insurance laws and instructions.

"Hoping they may reach you in good time, and that your convention may be numerously attended and its deliberations harmonious and profitable,

(Signed,)

"I am, very respectfully,

"MADISON BELL,
"Compt. General."

"BOSTON, May 24.

"Hon. GEORGE W. MILLER, Pres't National Insurance Convention,
Nos. 156-158 Broadway, New York.

"It will be impossible for me to be present at the convention; will write to-morrow.

"JULIUS L. CLARKE,
"Insurance Commissioner of Massachusetts."

"BOSTON, May 24.

"Hon. GEORGE W. MILLER, Pres't National Insurance Convention,
Nos. 156-158 Broadway, New York.

"Dear Sir: Receiving your dispatch of yesterday at the moment I was leaving the city, my condition of health compelling brief office hours, I could only reply in a word, thinking I might possibly arrange to send a representative to the convention over which you preside, but the reorganization of my department business, this week in progress, together with personal interests and other considerations connected with pending legislation here, seem to in-

terpose insuperable obstacles. Thanking the convention for its courteous consideration, I have no doubt its deliberations will result in harmonious and successful action. Very respectfully,

"JULIUS L. CLARKE.
"Insurance Commissioner of Massachusetts."

On motion of Mr. CALDWELL, the communications were ordered spread upon the minutes.

The PRESIDENT inquired if the committee appointed last evening to report upon certain matters was ready to report.

Mr. SMITH said: Mr. President, my understanding of the matter is, that the naming of subjects has not been completed, and that we had better postpone our action until after we receive from the various insurance companies the communications that are expected.

In the meanwhile, at the request of the committee, and in their name, I will read the following, in reference to a resolution that was offered yesterday:

"Mr. ARCHISON moved that, as the action of this convention is to be purely advisory, all executive officers and actuaries of the insurance companies are to be invited to participate in the deliberations of this convention."

This resolution was referred to the committee, and I was requested, after a discussion and general understanding as to what our views were, to prepare this as a report:

This is an assembly of state officers of insurance. The members are present under executive authority; and, whilst it is the earnest desire of the officers here present to receive information in regard to the great business interests entrusted by law to the individual members of this convention in their respective states, it is not considered expedient to introduce as members any persons other than those named in the letter of invitation, under which this convention is assembled.

It is, therefore, recommended that in addition to the invitations already extended to the insurance organizations in this and other cities, that this convention now declares its readiness to willingly accept written communications from any source, on the practical questions now before them, and will, in case it is desired, entertain a proposition from any person, to appear before this convention and verbally explain or enlarge upon particular points alluded to in previous written communications.

RULES OF ORDER.

Mr. KELSEY, from the committee appointed for the purpose, presented the following rules for the government of the convention.

1. The general rules for the government of this convention shall be those observed by deliberative bodies generally.
2. The time for opening the daily sessions shall be 11 o'clock in the forenoon.
3. No member shall speak more than twice—occupying twenty minutes in all—on one question.
4. Each state shall be entitled to one vote only on all questions.

On motion of Mr. CALDWELL, the report was adopted.

Mr. CALDWELL said: If the committee, as they state, are not yet ready to report on the business which should properly come before this convention, I think we will be economizing time, if we proceed without waiting for that report. The President, in his address to us yesterday, fully stated the objects of the convention, and the questions which we were to consider, and he stated them quite concisely. And I now move that this convention take up the questions suggested by the chair, and in the order suggested by the chair, and that committees be appointed, to whom the different parts of business shall be referred. This would not exclude, as a matter of course, the introduction of any questions not enumerated, should any member feel so disposed. This will commence our work.

The PRESIDENT—I think Mr. Smith will explain the object of the committee in making this report, if the gentleman from Indiana will allow him

Mr. CALDWELL—Certainly.

Mr. SMITH—I am requested, on the part of the committee, to whom this subject was referred, to state that we, perhaps, could have concluded this division, established it, at least, in our judgment, and submitted it to the convention; but it was deemed more appropriate and preferable that we should first receive the communications from the different insurance organizations, that were expected this morning; thinking we might profit by their ideas and suggestions. I have no doubt they will indicate to us practical points for our attention. I think we can then make ready our report in ten minutes.

Mr. W. E. HARVEY—I would like to inquire if the committee have any intimation of how long it will be before the communications are received.

The PRESIDENT—I understand two of these communications are ready now. If it is the will of the convention, I will call for them at this time.

COMMUNICATION FROM THE LIFE INSURANCE COMPANIES.

Such being the pleasure of the convention,

Mr. F. S. WINSTON, President of the Mutual Life Insurance Company of New York, said: Mr. President and gentlemen, I will only detain you by reading the proceedings of a meeting of Life Insurance Companies, held on the 20th instant. I think it would be more decorous on our part, and would save the time of this convention, simply to present, in as succinct a manner as possible, the important points that were decided upon at that meeting.

MR. PRESIDENT AND GENTLEMEN OF THIS CONVENTION:

I appear before you, with my colleagues on the committee, as the elected representatives of the life insurance companies of this state, and also of such other companies as were able to meet, upon your suggestion and recommendation, in this city, for consultation and action, on the 20th inst.

This meeting, composed of officers of nearly all the life insurance companies doing business in this state, and others, was deeply impressed with the great importance of this convention, and looked with lively interest and expectation to the results of your deliberation and action.

They believe it inaugurates a new era in the history of insurance in this country, and one which will develop that community of interest among the state departments which should exist, and will lead to that co-operation and uniformity in state laws and the requirements under them so earnestly sought for by all interested in the vast business of insurance in its various branches.

The brief report of the proceedings of that meeting I will, with your permission, now present.

It contains but few principles and points, because it was deemed both respectful and proper toward this convention, who would have the interests of other branches of insurance to consider, not to burden them with any business or suggestions but such as were of real gravity and importance.

This convention will give such weight as in their opinion is fitting and proper to the fact that each request and recommendation herein contained had the unanimous vote of every company represented at that meeting, and since from all who were not there, whose opinions have been ascertained and expressed.

On the subjects contained in this report, we present an undivided body, representing a large proportion and preponderance of the business of life insurance in this country.

Whereas, The Hon. George W. Miller, superintendent of the insurance department in this state, has officially informed the life insurance companies that the heads of insurance departments of the different states were to meet in this city on the 24th inst., to consider and discuss matters pertaining to their duties, and also such as are vital to the interests of insurance in its several departments; and has invited the said companies "by such means as they shall deem best to lay before the convention such matters as they may regard as important to be considered"—therefore

Resolved, That the life insurance companies acknowledge the courteous invitation officially extended to them by Mr. Miller, and accept the same, and that they will co-operate with each other and with other branches of insurance in presenting such topics to the convention as they deem of highest importance to their general interests and to the advantage of the public at large.

Resolved, That for the more convenient and efficient preparation and presentation of the topics which the life insurance companies deem essential to their interests to be thus considered by the convention, a committee consisting of five delegates be appointed whose duties shall be,

First, to place themselves in communication with the convention as representing the life insurance interests of this country.

Secondly, To prepare and present to the convention such fundamental and important topics and matters of common interest connected with the business of insurance as they may have the opportunity and the ability to lay before that body, with the reasons for the same when necessary or when required.

Thirdly, That among the points of highest interest to be presented and advocated, the following are recognized by this meeting as of primary importance:

1st. Uniformity in the forms of annual reports and other requirements made by the different state departments of insurance.

Each state department requires substantially the same information. At present each state has its own forms, customs, and requirements. They are not only different in their methods of getting at the same facts, but many questions require an answer, where they are asked by persons without practical experience, which really develop no important point.

The necessity for filling up blanks so different in their character and arrangement, necessitates a very great amount of labor, and often perplexity, on the part of the companies, and is of no real use to the states which require it.

If the convention can arrive at a series of questions which will develop all important points on which information is desired, and also such blank forms as are necessary for the different purposes required, and adopt the same, they will save a large amount of labor to the companies, and will thus attain, in a simpler form, the information they seek.

2d. The adoption of the same basis, principles and system in the valuation of policies and computation of reserves by the different state departments where such valuations and computations are to be made.

The importance of such a system and basis is becoming more and more felt every year.

The variation in different states, and by different companies at the present time is so considerable, and so seriously affects the safety and prosperity of the business of life insurance, that the subject should be thoroughly discussed and decided upon only after full examination, with all the light that science and experience can shed upon it.

3d. The acceptance by each state department of the valuations made by any other state department (in which the companies were incorporated) when properly performed on sound and recognized principles and an uniform basis.

The economy of time and money, when such reciprocal labor can be performed and accepted, is, perhaps, a sufficient argument for the course indicated.

4th. The lists of policies and securities in detail required in the annual statements to be made to one state department only, and the certificate of the total amount of such policies and amount and value of such assets from said department where made to be deemed sufficient in all other state departments.

The labor of preparing detailed lists of policies, and also of securities held—especially when these securities are bonds and mortgages—is so great with some companies, that it would require the constant labor of one or two individuals, during much of the year, to prepare a single list. When this labor is multiplied by the same requirements from different states, it will be seen that this burden will soon become intolerable. If given to one state, then the total of the different classes of assets, and of descriptions of insurance, could be reported by the state department to which it was made, thus securing entire fulness of information, attainable at any time when needed, while the labor of the different companies would be vastly abridged.

5th. The deposit of securities by the companies to be made in the state only in which the company was incorporated, if there required, and the certificate of such deposit from the insurance department of the state where made, to be accepted by all other state departments.

These deposits when required and made are, by the terms of agreement between the state and the company, to remain as long as any of the company's policies or obligations are in force.

Take, for instance, the policy of a young man of 21. His expectation of life at that age is 39 years. The company then making the deposit would ordinarily be unable to withdraw it for 39 years. It may reach fifty or more years.

This will exhibit the inconvenience to which companies might be put in case of a withdrawal from business, or if for any other reason they desire to close their affairs in a particular state, and would render it practically impossible so long as any obligations existed in that state.

We have now upwards of forty states and territories, each one having equal rights to call for deposits from the different companies as the other. Suppose a life insurance company to have made the required deposits in each of these different states, and through any excess of mortality or other contingency, to require the use of a considerable proportion of its assets. It will be readily perceived it would be impossible for them to respond to any except ordinary demands. Add to this the fact that these deposits are usually required to be made in securities which do not pay the largest rates of interest, and which are in the custody, in many cases, of state officers, elected perhaps but for a single year, and it will be seen that they would be likely not only to prove unprofitable, but, in many cases, might be in unsafe custody.

Every consideration of prudence and convenience leads to the confining of these deposits to a single state. Indeed, it does not appear, under the restricted charters of many of our companies, that they have the right so to scatter the funds committed to their keeping for the payment of their obligations, by placing them out of their custody and control in other states than that giving them their charter.

6th. The appointment of one agent or attorney only in each State to be required by it to accept legal service in behalf of a company, thereby avoiding great possible dangers.

The propriety of appointing an agent to accept legal service in a state where the company has no assets is questionable. But evidently in so grave a matter as accepting service for a company at a distance, in another state, when the company may not be apprised of any cause of complaint or of action, and where judgment may be unjustly and fraudulently obtained by the connivance of such an agent and attorney, without its having come to the notice of the company, this power should not be delegated except in the most guarded manner; and where such an agent or attorney is required in a state, he should be carefully selected by the company for his character, discretion and integrity.

The making of every solicitor or person who does any business for the company an agent to accept service, is holding out an inducement to unworthy and tricky parties to seriously injure and embarrass the company toward which they might feel hostile, or for sinister purposes, which should not be tolerated.

6th. Taxation. If not practicable to have it entirely removed from Life Insurance, to be made uniform and reasonable in the different states, and not complicated and oppressive, as at present in many portions of the country.

Life Insurance, in the opinion of your committee, should be entirely exempt from taxation.

It is a burden upon the prudence and forecast and affection of a class of the community generally far from wealthy, and very often poor, who are striving from year to year to lay aside something for the benefit of their families, and to keep them from want and from becoming pecuniary burdens upon the state.

Both sound political economy and common humanity would point to relieving this class of persons and their scanty property from any unnecessary burden. If, however, this entire relief is impracticable, taxation should be uniform as between the different states, and reasonable in its amount, and should be limited to the collection of fees to sustain the several state insurance departments in their designs and not be paid into the treasury of the state.

It should be uniform in whatever shape it takes, because if one state taxes the members of a mutual life insurance company, and another state does not, evidently if equity prevails in the distribution of gains or dividend, they will

be forced to impose and distribute the aggregate tax paid to such state among the policy-holders of that state, and not throw the burden upon the policy-holder of states where no such imposition is made. This will be just in principle, and also a necessity when such burdensome taxation is laid upon life insurance companies who are required by their charters to distribute these dividends equitably among all the policy-holders.

The effect of onerous taxation is politically bad. It engenders retaliatory legislation and provokes sectional prejudice and bad feeling.

When one state struggles to extract through taxation all that is possible from corporations or individuals, chartered or resident in other states, it creates and keeps alive a feeling of jealousy and distrust inconsistent with that fraternal feeling which should be cherished by our people in every part of our common country.

The subject is one of great importance, not only to the companies thus taxed but also to their policy-holders and to the country at large.

8th. Such other matters of interest as the committee may deem important to present.

The committee are also empowered and requested to perform the following duties:

1st. To assess and collect from the different companies such sums as are necessary to defray that proportion of the expenses of this convention as properly belongs to this department of insurance.

2d. The cordial co-operation with the representatives of the fire and marine insurance companies in all matters of common interest.

3d. The calling a meeting of the life insurance companies during the session of the convention for presentation or for any other purpose of interest connected therewith, and for a final report of their proceedings when completed.

On motion of Mr. KELSEY, the communication was referred to the committee on the order of business.

COMMUNICATION FROM THE NEW-YORK BOARD OF FIRE UNDERWRITERS.

The following communication was presented, from the Board of Underwriters, by Mr. Geo. T. Hope, President of the Continental (Fire) Insurance Company, and Chairman of the Special Committee of the Board of Underwriters.

Mr. HOPE said: Mr. President and Gentlemen, allow me to say a few words preliminary to the paper which I propose to read to you.

As your President yesterday was stating the purpose he had in view, with regard to this meeting, I watched with a great deal of interest, for the place where the *fire* insurance came in. It did come in, about half through the document, but it went out so quickly that I began to feel uneasy about it, until I recollected what I had heard stated a long while ago, as an explanation under somewhat similar circumstances.

A gentleman had a pair of horses to sell. They differed somewhat in excellence. He took especial pains to speak very strongly and frequently of that animal which was, manifestly, not the finest, until the purchaser asked the reason why. "Oh!" he said, "That horse doesn't need talking about; *anybody* can see he's all right." I presume, Mr. President, that is the case in regard to fire insurance. [Laughter.]

If we needed an introduction to you further than we already enjoy, and, if anything were necessary to place fire insurance before you for consideration, as well as that other to which we pay so much respect and which is of great value—life insurance—I might refer to the statement of the President yesterday, that life insurance was born in this century, in this country, and then to the charter of a fire insurance company, granted in the last century—a company still in existence and useful, and then say: "We are entitled to a place among you."

TO THE NATIONAL INSURANCE CONVENTION:

Gentlemen: In compliance with the courteous invitation of the superintendent of the insurance department of this state to the New York Board of Fire Underwriters, "to submit to the convention of state officers having charge of the business of insurance in their several states, such views as

might be deemed important to be considered as connected with the fire branch of insurance," that board appointed the undersigned a committee charged with the performance of that duty. The committee desire to express the gratification felt by the officers of the companies that this convention has been summoned and that it is attended by so many of those who hold these responsible positions in their respective states.

The vast importance of the business of fire insurance is not generally understood, either by the people or by their legislative representatives, and, until recently, the control which the states have chosen to exercise over the insurance companies, was allowed to remain as an incidental and an unimportant attachment to the financial or some other department of the several states. During the last 10 years the condition of affairs has been undergoing a rapid change for the better. In many of the states independent departments have been established, and in others the intelligent officers having control of a department which embraced insurance as a part of its duties, have recognized the importance of this portion of those duties, and have given character to the subject by erecting a subdivision with especial regard to this business.

It may, to some of the members of this convention, seem quite superfluous to attempt an illustration of the importance of the business as compared with that of other financial institutions, and therefore your time will not be occupied longer in this direction than is required to say, that to prevent the people from sustaining loss by the failure of insurance companies, is of much greater importance than it is to save the billholders of banks from losing by the failure of banking institutions, and the last was long the object of great care and supervision, while the former was almost neglected.

It is easy to understand that when a bank fails no one, as a rule, is likely to suffer severely, excepting those comparatively well able to sustain the loss, while, on the other hand, the failure of an insurance company involves individuals, not in small losses, but in large ones; the parties who hold its policies having in many cases a large portion, and sometimes all they possess, involved in the failure of the company. Many such a propertyholder, dispirited and heart-broken by the failure of an insurance company to pay his claim of a few hundreds or thousands of dollars, has sunk into beggary and become a tax upon the community. At the other extreme, the facts show with equal distinctness how necessary it is that the business of insurance should be wisely fostered and controlled. If security could not be obtained against the risk of his property being destroyed by fire, what capitalist would be justified in having in his warehouse the large amounts now so frequently held and which seem essential to the conduct of an economical and profitable business.

It would seem that this business had grown with the demand for it, so gradually as to be unobserved, and its importance overlooked, until the multiplied misfortunes or frauds of many unsubstantial insurance companies a dozen or fifteen years since, constrained attention to the entire subject.

A very few statistics will make apparent the magnitude of the business of fire insurance in this country, and be more effective than anything else to exhibit its importance and the dignity and responsibility in this respect of those who occupy the positions held by the members of this convention.

The amount insured throughout the country during the year 1870 by the companies reporting to the New York insurance department, as appears by reports made to that department, exceeds \$4,800,000,000.

The amount paid by these companies for fire losses during the same period exceeded \$23,800,000. Some of these companies transact a large marine and inland navigation business not included in these figures. When it is remembered that there are many companies in the several

states which have no agencies in this state, it is evident that a large percentage must be added to these sums to enable us to understand the vast magnitude of this branch of the insurance business.

Its present extent being so great, how shall we estimate the future magnitude of this indispensable branch of commerce; this ally of every exhibition of industry and art?

The substantial insurance companies (and there are many such), doing business in the country, welcome any and every measure which is adapted to protect the real interests of propertyholders.

They recognize most fully that the interests of such companies and of the honest insuring public are identical, and they are therefore gratified to respond to any intelligent and well considered requisition from insurance departments. Indeed, it is more than probable, that much the larger part of the enquiries found in the various forms for annual returns, have been suggested by the officers of insurance companies who have been willing to communicate all essential information respecting the institutions under their control.

Trusting that it needs no further argument to assure the members of this convention, that in making any suggestions herein presented, the members of the New York Board of Fire Underwriters are actuated only by a desire to have the conduct and control of the business intelligently placed upon such a just and substantial foundation as its vast extent and importance demand, the committee call your attention, very respectfully, to the following points:

First. The companies are subjected to great labor, expense and annoyance by the numerous and generally unimportant variations which are found in the blank forms adopted by the different states, for the returns to be made by the companies to such states. It has become almost impossible with the aid of all the clerical force that can be employed to advantage, for a company, engaged in an extensive business, and conscientiously determined to comply as closely as is possible with the letter and the spirit of these differing requirements, to complete the preparation for complying with them, between the close of the year and the period fixed by the laws of the several states, within which the returns are to be filed.

If this convention shall unite in adopting a common form for the annual returns of the companies, which shall embrace all of the really valuable features contained in all of those now in use, and reject all that are useless or of very little consequence, it will result not only in a decided gain to the companies, but in a more prompt rendering of the returns to the several state departments.

It is also of obvious importance that all returns be made to the same date.

Without further argument or illustration, this subject is dismissed, as it is understood that the National Board of Underwriters has appointed a committee to place the matter before this convention in a manner befitting its importance.

Second. The subject of taxation and license fees is one which ought to be considered with more broad and enlightened views than have hitherto been given to it in a number of the states.

The business of insurance would seem to be regarded as a "placer" rich and exhaustless; as furnishing an immense profit to the companies, and as presenting a ready and proper source from which, by taxation, to supply the treasuries of state, and city, and county and town, and even of other institutions and beneficent organizations.

There are at least two serious errors committed in this onerous taxation. One is shown by the fact that the business is *not* one of great profit. Statistics gathered from the returns made for a series of years, prove that less than eight per cent of all the premiums received during fifteen years past, has remained after the inevitable losses and expenses have been paid.

The companies would have been long since taxed out of existence in several states, but for a law of trade as inflexible as the law of gravitation. Any community can add just what it pleases to the cost of insuring, by taxing the companies who issue policies, but they must pay the amount in enhanced premiums. Just as certainly as a place containing buildings improperly constructed, or insufficiently protected by fire departments, is compelled to pay for the consequently increased liability to loss by fire in enhanced charges for insuring, so certainly the taxes imposed upon companies have to be contributed by the citizens for whose apparent benefit they are imposed. It needs no argument to show that it is the interest of every state that every one of its honest citizens, who possesses property, should be guaranteed against loss growing out of its destruction by fire.

It is the interest of a state that its citizens should be provident, that they be not disheartened by the sudden destruction of the result of perhaps years of toil and self-denial. A tax upon insurance is a tax upon the providence of the people, and some day states will become so wise as to refuse to perpetrate such a wrong.

In the meantime it is respectfully urged that such an approximation should be made to this degree of far-sighted wisdom, as to restrict the taxes to some just percentage of the net amount of premium receipts from any state, remaining after the losses and expenses in that state have been paid. And further, after the state has fixed the amount which is to it satisfactory, it would appear that no member of the commonwealth, whether city or county, town or village, or any institution within them, should be permitted to impose any further tax upon the companies.

The New York Board of Underwriters urge these considerations upon the superintendent and upon the legislators of their own state; and this is done with full knowledge that this state affords as promising a field for the business as is found within the Union; and that driving out, by means of such taxation, deposits and other vexatious restrictions, all but local companies, would be more to the apparent advantage of the local companies. The general estimation in which this field is regarded by underwriters is exhibited by the fact, that in 1867 (as shown by the superintendent's report for that year, published in 1868,) there were within its borders 1154 agents of 44 companies from other states, and 27 agents of 4 companies from foreign countries.

The later issues of the department do not furnish the number of agents, but it is found that the number of companies represented by agents is increased to 69, and doubtless the number of agents has been increased in the same, if not in greater, proportion.

The New York Board suggest nothing that may seem to be to the advantage of its members in other states, beyond what it is quite disposed to have this state accord to the companies coming from such states to divide with themselves the business of the state of New York.

Third, The undersigned request that the earnest attention of this convention may be given to what is known as the deposit system; a system which has been practised from time to time by a majority of the states, and which prevails or is banished from the statute books, in close proportion to the degree of ignorance or of intelligence found to exist in the underwriters having the management of the local insurance companies chartered by the several states.

Upon an examination of the facts it is found that as soon as a state has within its own borders companies amply able to protect its citizens, the intelligence of the officers of these companies demands and secures the repeal of all such monstrous absurdities as deposit laws.

As a rule, the more a state needs for the proper protection of its citizens, the aid of insurance companies of other states, the more certainly there will be found among its enactments respecting insurance, require-

ments for unnecessary and damaging deposits, and the imposition of unreasonable and excessive taxation upon such companies.

If there exists a need that companies, the whole assets of which are within reach of the courts of the country, should deposit any part of their assets in any one state, it is equally needed that such deposits should be made with every other state.

More than this: if it is found that any company has complied with such requisitions to any appreciable extent, it will become the duty of other states to be proportionately protected. The extreme absurdity of the system is shown by the mere statement of a truth well-known to every sensible underwriter in the country; that carried to its legitimate extent it would be liable to cause the failure and dissolution of any company generally complying with its requisitions, in case of such fires as may at any time take place in any one of a score or two of cities in the United States.

It is surprising that owners of buildings or merchandize in Boston, or New York, or Baltimore, in Philadelphia or Cincinnati, or Chicago, in Milwaukee, or St. Louis, or Richmond, in Charlestown, or Savannah, or Mobile, in New Orleans, or Memphis, or San Francisco, in Portland, or in some one of scores of other important cities, have not heretofore protested against the admission of companies in their states which had thus taken measures to secure their own bankruptcy, and at the same time to do deadly injury to claimants upon them in the event of an extensive conflagration, by being thus permitted by the states that created them to hypothecate their property, and to destroy their ability, if ever so strong, to pay promptly their debts. The statement found in juvenile histories of the revolution of 1776, that an advocate of the union of the states at that time, by an example probably borrowed from an earlier day, illustrated the importance of such a union by asking one of the opponents of that measure to break a bundle of 13 sticks when taken together, and when this was found impossible, showing him how easily the whole could be broken when separated, and the force applied to each distinctly, is a fair illustration of the fact that if a company with ever so many hundreds of thousands or millions, is to be able to respond to claims from any place within the wide domain of this broad land, its assets must not be segregated, but be under its own perfect and immediate control.

It would appear that any state which demands a deposit of any part of the assets of a company, as a pre-requisite to its right to transact business within its borders, should perpetrate another but a shrewder absurdity by stipulating as an additional pre-requisite, that it should make such a deposit nowhere else.

It may be asked in what other way can property-holders be protected.

While denying that the deposit system furnishes protection, the committee say, that even if it did accomplish the purpose to any serviceable extent it would still be unnecessary. The extended and thorough statements required annually from the companies, and the right of personal examination judiciously exercised, places the question of soundness, or the reverse, entirely within the control and knowledge of the gentlemen who occupy the places filled by the members of this convention.

If any proof of the sufficiency of this is desired it may be found in a careful comparison of the statements which presented the actual condition of the companies admitted to this state in 1860, and the statements of the same companies for the year 1870.

The development of strength there shown is owing mainly to the system of complete annual statements, and the right of personal verification of the truth of these statements by an actual handling of the securities, and investigation of the facts by the superintendents of the New York and of other states insurance departments.

Fourth. The committee desire further, to call the attention of this body to the propriety of requiring, in all the states, that some one individual shall be appointed by each by the companies, respectively, to receive notice, as attorney or agent, of suits instituted.

It is easy to find men of character, and widely known, who can be selected to occupy this important place. In many of the states, this wise provision is already adopted; but in others, it is required that each agent shall be qualified to accept service of process. It may well be doubted if the attorney or agent appointed by a company for this purpose, should, in any case, be one who holds at the same time authority to act as an agent for the transaction of its business of insurance. It is much easier to find a man qualified to attend to this duty, than to find one with the peculiar knowledge which qualifies him to take the place of attorney.

Again, it sometimes happens that the agent himself is involved in the transaction which lies at the base of the suit; and instances have been known where information that he had received notice of the institution of a suit, has been withheld by the agent until after, by default, a judgment had been entered against the company.

Within a month past, and after years of endeavor and a large expense, a judgment was annulled and the case sent back for trial upon its merits, in which the facts were, that a policy, not signed by the company's agent, had been issued upon property of a character not contemplated in his appointment, at a distance from the location of the agency, for an amount more than double the highest limit fixed in his letter of authority, and which was reported to the company in an ante-dated return after the destruction of the property by fire, which policy the agent was immediately instructed by telegraph to take up as beyond his power; but the notice of loss, which followed the return just one day's mail, rendered it certain that this instruction would not be complied with: a case, in which the companies who had no such objections to recognizing and paying the claim as those stated above, satisfied themselves and the claimant, that it had been exaggerated by at least one-half of the amount sworn to as the loss, and who, therefore, compromised with the claimant by the payment of one-half of the sum demanded of them. In such a case, the agent, being also the attorney under the law of the state, received notice of suit, at a time when a new and amended proof of loss was promised to, and was supposed to be in course of preparation, by the company, allowed the company to await such notice of the institution of the suit as was given when the demand was made for payment of a judgment obtained through default.

One such instance ought to be enough to induce reflecting state officers to be prepared to prevent its recurrence, by a modification of any law under which such a wrong could be inflicted.

Fifth. The committee regard the subject of re-insurance as one well worthy the attention of the convention.

The question, "What amount is required to re-insure running risks?" is one which has often been asked by officers of insurance companies, with relation to the business of the company with which they were connected, and it has too often been answered with more regard to the necessities of the position of the company than to any careful consideration, or statistical examination, of the facts.

In reports made to the New York Insurance Department, before the adoption of a uniform standard, in answer to the requirement to state the "amount required to re-insure outstanding risks," the replies were such amounts respectively as when turned into a percentage of the annual receipts for premiums, varied from twenty-eight per cent. to eighty per cent. of these.

When the states have undertaken to fix an arbitrary percentage upon running premiums, as the minimum necessary for re-insurance, they have varied greatly in the ratio assumed. Massachusetts has, for many years, followed the practice of regarding one hundred per cent. of the amount of premiums received on unexpired policies as unearned—in other words, that no portion of any premium received was earned, until the risk for which it was paid had terminated by the expiration of the policy.

New York established for a time, the rule that forty per cent. of the amount of the running premiums should be regarded as unearned. The later requisition in this state (New York) provides, that fifty per cent. of premiums received on risks terminating within one year from the date of calculation, and a *pro-rata* proportion of these having longer than one year to run, shall, as a minimum-sum, be charged as unearned; while the legislation upon this subject requires, that as rapidly as the success of a company will permit, the whole amounts received for premium on unexpired policies shall be charged as being unearned. In other of the states, no regard is required to be had as to whether premiums received are earned or otherwise, and dividends may be declared without reserving any sum whatever as an equivalent for the unearned portion of premiums in hand.

While it is past question that the Massachusetts practice is the most safe and conservative for the companies, as well as for their customers, and that the more rigidly any company adheres to the rule—whether constrained thereto by law or not—the stronger and more trustworthy it will become, still, it must be admitted that it will tend greatly to prevent the formation of companies if they are debarred from making dividends until an accumulation has been secured equal to the entire running premiums.

The New York rule, which authorizes the division of an amount about equal to the interest received upon the capital and assets, is probably better adapted to the interests of the different states than a more rigid one would be.

The section of the New York General Insurance Law referring to re-insurance in connection with dividends, is as follows:

“SECTION 12.—It shall not be lawful for any fire insurance company to make any dividend, except from the surplus profits arising from their business; and, in estimating such profits, there shall be reserved therefrom a sum equal to the whole amount of premiums on unexpired risks and policies, which are hereby declared to be unearned premiums.

“Provided, always, that any company may declare dividends not exceeding ten per cent. on its capital stock, in any one year, that shall have accumulated and be in possession of a fund, in addition to the amount of its capital stock, and of such dividend, and all actual outstanding liabilities, equal to one-half of the amount of all premiums on risks not terminated at the time of making such dividend.”

It is desirable that some common rule should be adopted for estimating this liability of the companies in the annual returns to the different state departments, and it cannot fail to be a difficult question to determine what that rule shall be. That a fund ample for re-insurance is as clearly a liability as is a loss sustained under a policy of insurance, needs no argument.

The fact that, whenever a company fails in business, the first object of the receiver is to rid it of further liability by canceling its policies, and paying back such portions of the premiums as is equivalent to the unexpired term of the policies, or by paying some other company for assuming the hazards, shows this clearly.

In the effort to establish an uniform rule respecting re-insurance, it will be necessary to consider such periods as the present, when the ruling rates are so low that if, as the result of an unusual conflagration, or of returning sense on the part of erratic officers of insurance companies, rates should be placed at a proper standard, it would be impossible to re-insure at anything nearly so low as a *pro rata* proportion, for the unexpired time, of the premiums received. Besides, the rates charged by different companies differ materially, and as a rule, the weaker a company is, the lower are its charges for insuring.

Sixth. While the committee feel more interest in your conclusions respecting the living, than with regard to the dying or the dead, the effect of anything which causes loss to policy holders discourages others from protecting themselves by insuring, and therefore it is that we state a truth which has been proved so often as to require no present effort to establish it.

This truth is, that if it is found that an insurance company is, from any cause other than the fraud of its board of directors, in a state in which dissolution may be apprehended, and it appears clear that to die decently it must

die promptly, the very best parties to conduct the funeral ceremonies and close up the affairs of the deceased, are the directors of the company.

By their aid and under their direction a company's affairs will be closed in one-quarter of the time and at one-quarter of the expense which will be incurred, if any other than a party in interest supervises, and an expert in the business of insurance is employed for this purpose.

Seventh. Still another matter which, if due regard is had to the interest of the community seeking insurance, should occupy the attention of the members of this convention, both here and within their own states, is that of the enormous practical untruths stated to property owners in the public advertisements and circulars of insurance companies, by announcing frequently only the amount of their assets, and sometimes calling this all capital.

Sometimes a modest amount of claims against these assets is admitted, as losses unsettled or dividends unpaid; but it is rare, indeed, that any mention is made of the amount of unearned premiums, or of perpetual premiums, or of liability, under any other kind of obligation.

Illustrations of the gross deception commonly contained in such announcements could readily be given, but whether the amounts presented instances where hundreds of thousands of dollars, or of indefinite millions of dollars of assets were claimed, the use of such illustrations would be regarded as invidious, and it is therefore omitted. Beside this, the business of the convention is rather with regard to general principles than to isolated cases, and it appears to the committee that the interests of the public demand that by some legal regulation companies be required to present to the public not only nothing that is untrue, but also all that is true respecting their condition.

A company does not grow stronger by the mere accumulation of funds which belong and must ultimately be paid to its creditors. Nor is a company possessed of many millions of assets but which owes for claims incurred and for obligations assumed three-fourths or nine-tenths of the whole amount, so strong as is a company with far fewer assets, of which but one-quarter may be demanded by any one except its own stockholders, even if the concern should close its affairs and retire from business at once.

This subject may be one of little importance with regard to life insurance companies; but with regard to fire insurance companies, the liability to excessive losses requiring fifty per cent. or more of all a company holds, makes it of vital importance to know what claims or liabilities exist on responsibilities of every character assumed by a company transacting fire insurance, as a part or the whole of its business.

Eighth. The last suggestion with which the committee will venture to occupy the time of the convention is this: that its members make themselves intimately acquainted with the manner in which the companies under their charge meet demands made upon them by the holders of their policies of insurance.

A vulgar and an unjust prejudice exists among the uninformed, and among some who ought to be better informed, and such upon this subject are ready to believe, that it is habitual with insurance companies to adjust their losses without regard to what may be the actual loss sustained under their policy, but so as to secure the payment of the lowest sum possible, even if it be less than the amount which should justly be paid; and further, that the companies are ready to appeal to the courts at every fragment of an opportunity. That *all* of the companies, in all parts of the country, are *always* ready to meet such claims with a manly recognition of the truth—that to sustain losses is an important part of their business—and to pay them justly and with cheerful promptitude, is not asserted; but it is asserted and can be proved that taken as a whole no business is conducted with greater fairness and justice than that of fire insurance in this country. It is asserted, and can be established, that where the companies pay one dollar less than is fairly due, they pay one hundred in excess of what should justly have been paid.

In the case of a single company of this city, whose records are more complete in this regard and nearer at hand than any other, it is found that while sustaining through a series of years over 4000 consecutive losses, it has paid for them in cash a sum exceeding \$2,500,000; and that out of this entire number but 11

have ever been in suit, and less than \$10,000 has been paid under the decisions of the courts.

This is not referred to as an exceptional case. The experience of a large majority of the companies represented in the New-York Board of Underwriters will not differ materially from this, and this essentially will be found to be the result with a large proportion of the companies of the country.

The companies pay claims too often when they should resist them. But for their sense of obligation to the honest property-holders, they would resist them still less frequently. The convictions for incendiarism about the country prove that the crime of arson is perpetrated with sad frequency; and yet it sometimes happens, as during the last session of the New-York Legislature, that members of such bodies, because they are ill-informed or prejudiced or venal, introduce bills respecting the business of insurance, which are calculated only to foster crime and to prejudice the best interests of honest citizens. As has been in this paper before hinted at, it is the business of any community to make the hazard of insuring its property-holders as great as they please, or as little as they can, and it is the business of the insurance companies to take these hazards as they are made for them, and to charge premiums according to the facts. As a rule the greater the hazards of any business which is not absolutely and necessarily ruinous, the greater the profits of those engaged in it; and consequently the duties of the officers of insurance companies are discharged, when they have as good citizens called the attention of the property-holders to all attempts at such monstrous legislation as may be brought to their knowledge.

The object of this sixth and last suggestion is that you, gentlemen of this convention, shall so thoroughly understand the action of the companies and the proprieties of the case, as yourselves to resist all such attempts to secure the triumph of wrong.

The committee close this hurriedly prepared paper with the distinct recognition of the truth, that the primary duty of the members of this convention is to the public. They are however fully assured, that whatever is really adapted to promote the public good will be to the advantage of every well-conducted fire insurance company, and they feel a confidence that as the result of this convention, which had its origin entirely outside of the insurance companies, all such companies will be benefited just in the proportion that the public are more safely insured through the intelligent action of this convention.

(Signed.)

GEO. T. HOPE,
President Continental Insurance Co.
CARLISLE NORWOOD,
President Lorillard Insurance Co.
GEORGE W. SAVAGE,
President International Insurance Co.
HENRY A. OAKLEY,
Vice-President Howard Insurance Co.
K. W. BLEECKER,
President North American Fire Ins. Co.
E. A. WALTON,
Secretary Citizens Insurance Co.

On motion of Mr. BRESE, the communication was referred to the appropriate committee.

The President of the National Board of Fire Underwriters announced that the board would present its report to-morrow morning.

The PRESIDENT announced that the communication from the Chamber of Commerce, which was expected to-day, would be presented to-morrow.

On motion of Mr. W. E. HARVEY, a recess of fifteen minutes was taken to allow the committee on Order of Business to report.

The convention re-convened, after the recess, at a quarter to three o'clock.

The PRESIDENT—Is the committee ready to report?

Mr. PAINE—The committee have taken into consideration the various communications and remarks that were made to them from the gentlemen who have volunteered, outside of our number, and we gave this matter, last evening, a

very thorough examination. The reason we did not report this morning was, that we proposed last evening to delay doing so until these communications were handed in to us, because we thought that they might, as they did, introduce other subjects on the list. From the preparations thus made, and from the consultations we have had during the few past minutes, we have decided upon the following

TOPICS OF DISCUSSION:

1. Preparation of blanks for company returns.
2. Assets and investments.
3. Rate of mortality; rate of interest for the calculation of premiums and net valuation, and surrender charge or value of life policies; re-insurance liability on fire and marine policies; uniform designation of different kinds of policies.
4. Taxation, deposits, fees.
5. Dividends, expenses, appointment of attorneys.
6. Miscellaneous questions.

The PRESIDENT—You have heard the report of the committee; what is your pleasure?

Mr. CALDWELL—I move that the report be received, and that the chair appoint the proper committees to which the several topics shall be referred.

Mr. PAINE—Committees of three, we proposed.

Mr. CALDWELL—Yes, committees of three.

Mr. SKEELS—Before the question is put in that form, the report should be accepted and adopted. The convention has not yet adopted that report—has not yet signified its approval of their proceedings. Not that I myself have any objections in the least. I would like to inquire of the chairman of the committee whether—I did not understand distinctly, there was so much noise in the street at the time,—whether the committee, to which is to be referred the blank forms of annual statements, is to be charged with making a form,—agreeing and reporting upon a form which shall include both fire and life, or not. Or whether there are to be two committees, one having in charge the fire, and the other the life.

Mr. PAINE—I have said that it is for all,—fire, life and marine,—all under one head. We regarded this thing a little differently from what we would if it had been any other different body of men. The insurance commissioners are supposed to be persons who are familiar with all four subjects, life, fire, marine, and accident. These subjects naturally run into each other. Therefore, we thought it more appropriate that they should be all under one committee. The whole subject of blank forms is all under one committee.

Mr. CALDWELL—In answer to the objection of Mr. Skeels, I would say that my motion is that the report should be adopted and the committees appointed under it.

The question was then put, on the motion of Mr. Caldwell, and carried.

The PRESIDENT—Having acted with this committee, and knowing the result of their report before coming in after the recess, I took occasion to make up the committees under the report, assuming that it would be adopted. Therefore I am prepared now to appoint the committees.

The president then appointed the following

COMMITTEES:

- COMMITTEE No. 1—Messrs. Kelsey, Row and Harvey.
 COMMITTEE No. 2—Messrs. Paine, Woolford and Webb.
 COMMITTEE No. 3—Messrs. Smith, Brinkerhoff and Pillsbury.
 COMMITTEE No. 4—Messrs. Breese, Spencer and Caldwell.
 COMMITTEE No. 5—Messrs. King, Noyes and Atchison.
 COMMITTEE No. 6—Messrs. Skeels, McGill and Forster.

The PRESIDENT said—The first-named gentleman on each committee will act as chairman, unless the committee otherwise determine.

Mr. KELSEY—I move, in order that the convention may not be deprived of the valuable services of the president of this convention, that he be added, *ex officio*, to all these committees.

The SECRETARY put the motion to the convention, and it was carried.

The PRESIDENT—Gentlemen, I thank you very much for your consideration, and only wish I deserve it better, and that I could be in different places at the same time and thus perform more work than I am now capable of doing. Such services as I am able to render I shall be glad to render.

Mr. HARVEY: I would suggest that, before the convention adjourn, the chairman of each of the committees appoint the time of meeting of their respective committees, in order that they may get to work as early as possible.

Mr. CALDWELL—I would suggest that the secretary furnish the chairman of each committee a list of the members of his committee and of the subject entrusted to their care.

The President directed the secretary to do so.

The PRESIDENT—I have a communication from Mr. Bewley, of the Universal Life Insurance Company, which I would suggest be handed to the committee on valuations. I am not sure but there may be other communications in the room for presentation to the convention from those not members of the convention. Any communications on subjects connected with insurance, will be received.

Mr. KELSEY—I would merely say now, as we are all here together, that the committee to which I have the honor to belong, would be very glad if the representatives of either of the states present would hand to any member of our committee such reports and papers or blanks as they may now use.

The PRESIDENT—I have in my hotel quite a number of blanks which have been forwarded in answer to a request, and which I will send to that committee.

Mr. WOOLFORD—I believe we are pretty well through what can be done now, and I move that we adjourn.

The PRESIDENT—The hour fixed for meeting was eleven in the morning. That is the only rule adopted in regard to the time of the session. I suppose it is perfectly proper, however, to have an extra session at the option of the convention.

The President announced, as the result of consultation with the chairmen of the committees just appointed, that the committees would all hold their first meetings at seven o'clock this evening at the Fifth Avenue Hotel.

The motion of Mr. Wolford was then adopted, and the convention adjourned till 11 A. M. on Friday.

THIRD DAY.

NEW YORK, *May 26.*

The convention re-assembled at 11.30 A. M., Superintendent Miller, the president, in the chair.

Mr. KING moved that the reading of the minutes of yesterday be dispensed with, and that the convention proceed at once to the reception of the communications referred to yesterday. Carried.

The PRESIDENT—I understand that a committee, appointed by the Chamber of Commerce, are in attendance, and will now present a communication.

COMMUNICATION FROM THE CHAMBER OF COMMERCE.

Mr. A. A. Low, chairman of the committee from the Chamber of Commerce, said: "The committee appointed by the Chamber of Commerce have embodied the views which they wish to present to you in a paper, and I am asked to read it."

Mr. Low then read the following paper:

The undersigned having been delegated by the Chamber of Commerce of the state of New York, to appear before the convention which is now met to consider the subject of insurance in our own and other states, would express their gratification that this first meeting has been initiated by a call from the superintendent of the insurance department of this state:

And they would congratulate the convention that it meets under such favorable auspices.

The cities of New York and Brooklyn have become, in no small degree, the depositories of the wealth of the whole country, and the accumulation—greater now than ever before—is constantly augmented; the toil of the farmer, the industry of the mechanic, and the skill of the manufacturer, all contributing to swell the vast aggregate. Here it is, also, that the products of other countries, as well as the products of our own, await distribution. The merchants of this city are the owners or

custodians of this immense property; and, to a considerable extent, they are the proprietors of the capital embarked, in various corporate bodies, for its protection, or the protection of all who are interested therein against loss by fire.

It is essential to the success of our business men that the extent of protection afforded by the fire insurance companies established here—whether as principals or by agencies from abroad—should be commensurate with the magnitude of the interests involved, or that may be involved, in loss by fire.

There needs to be a confidence, well assured, in the responsibility of these institutions; in the ability and integrity of their officers and managers; and in the good judgment of those who are appointed by the state to supervise and exert a just control over the affairs of the whole body. And, inasmuch as the interests of other cities on the seaboard are identical with our own, and they mutually bear a like relation to the smaller communities in the interior—the Chamber of Commerce of New York, acting as the representative of the one, may be regarded as, in some measure, the representative of all. Therefore, it seems eminently proper that this convention should meet in the commercial metropolis of the country, to devise a system of laws, or to harmonize existing laws of the different states, and to regulate the action of each with respect to the institutions of every other, so that the requirements of any state may not be of a nature to provoke retaliatory legislation, to the general prejudice of the business of the whole country. It is obvious that, if there be domiciled in the city of New York an amount of incorporated capital adequate to the protection of our citizens, and of all who are interested in the stores of wealth that are gathered here, there can be no reason to distrust the ability of the same institutions to throw their protecting shield over every other section of the country—if preserved from the consequences of a devastating fire at home, and not stripped of their means by unwise legislation of the states into which their respective agencies have been extended.

The merchants of this city, in the exercise of an intelligent judgment, when consulting their own security and that of their constituents against perils by fire, have regard to the experience and skill of the men who are appointed to administer the trusts committed to their care; to the character of the directors appointed to select such officers; to the amount of money embarked, and to the results attending its use from year to year.

The undersigned believe that, on the part of every well-appointed and wisely-administered insurance company in this city, a rigid scrutiny by the state superintendent is invited and welcomed, to the end that the confidence of constituents at home and abroad may be strengthened by the publication of official statements of the company's assets, its premiums and its losses. And the undersigned believe, too, in the wisdom of that legal requirement, which demands a deposit of a certain portion of the capital of any foreign company doing business in the United States with the treasurer or comptroller of the state where the principal office or agency of such company is located; and, as in all other cases, a restriction of the risk to a certain percentage of assets held in this country.

While advocating the enactment of such laws as serve to extend the utmost security to the assured, the undersigned would not fail to impress the importance of such legislation as will preserve our insurance companies from the consequences of fraud and arson on the part of their customers. For if the nature of the laws is such as to invite deception, the underwriter will protect himself against the evil-doer by a charge that covers every added risk; and the increased charge will necessarily fall on the evil and on the good alike.

As a preliminary to such suggestions as it is the purpose of the undersigned to offer for the consideration of your honorable body, permit us to say that at the present time there may be found within the walls of a single building an amount of property valued by millions of dollars, and that within the compass of one or more blocks in our own and in other cities of the Union, if a fair estimate were made, these millions would need to be multiplied several times.

Within the memory of many of our merchants still in active business, single fires in this city, in Brooklyn, in Albany and Troy, have destroyed property varying from \$3,000,000 to \$17,000,000 respectively. The city of Portland, in Maine, lost by one fire, a few years ago, fully ten millions of dollars; and the consequences of these and other destructive conflagrations, which it is needless to refer to more particularly, are known to have been the entire annihilation of certain institutions whose whole capital had been put at stake in the wide area of territory overrun by the devouring element.

It is safe to say that if, in our day, a fire should break out and extend over a similar extent of territory as before, in either of the cities referred to, the destruction would be twofold what it was, because of the increased size and value of modern buildings and the increased costliness of their contents. Against such a widespread devastation in our own and the neighboring city, it is to be remarked, however, that we are rendered comparatively secure by the excellence of our fire brigade, by the efficiency of our steam engines, and by the occasional interposition of fire-proof buildings.

On the other hand, our firemen have to cope with increased difficulties in the length and breadth and great height of modern warehouses, and in the concentration of so much combustible material—while furnaces and skylights multiply the dangers that attend the origin, and cause the extension of fires in our principal cities. These considerations lead directly to a just appreciation of the importance of knowing that our insurance companies offer adequate protection against the occurrence of such a widespread calamity as we have seen repeatedly before, in a substantial and sufficient basis of readily convertible means.

In view of the possibility and of the consequence of so unwelcome a visitation, this community regards, with undisguised satisfaction, the establishment of an insurance bureau in each of the states, to which fire companies, incorporated by other states, shall be made to report periodically, as in our own. There is great propriety in requiring ample, minute statements to be rendered, and in having them verified by a competent officer, whose duty it shall be to examine assets and liabilities, and to report the same annually, or as often as circumstances may demand.

Such examinations and reports, if properly made and verified, cannot fail to give the greatest attainable security to policyholders, and to render unnecessary the deposit by the companies of any portion of their capital, in or out of the states under whose laws they are respectively incorporated.

The utmost that should be required of any company doing business through an agency in a state other than that of its origin, would be the investment of a portion of its funds in the bonds or securities of the state where the business is to be transacted; but it is difficult to discern how such a requirement, in many cases, would tend to strengthen the security of the company, and thus benefit the policyholder.

It is sufficiently plain that if a deposit is to be made in every state where an agency is established, the amount of such deposit, to be of any practical value, must correspond with the greater or lesser magnitude of the business transacted, and a minimum sum would seem to be \$50,000. If such a deposit is needed in one state, it is equally needed in another, and in all. If the capital of our largest companies were divided in this

way, between forty states of the Union, more or less—the amount available anywhere for the payment of a series of losses might be utterly insufficient; and the bankruptcy of the company be the untoward and unnecessary result. For, if the property of any company is required as security for policies issued by an agent in any one state, the head of the insurance department of that state would not be warranted in parting with it to discharge liabilities in another state, till every policy in his own had expired or been cancelled; and, in the meantime, the delay would be as prejudicial to the sufferer by fire, as it would be damaging to the insurance company.

In view of these things, it would seem to be well to guard against the consequences of such disasters as hitherto have repeatedly befallen our institutions, and to arrest such an alienation or dispersion of the assets of a company as existing laws render necessary, when agencies are extended to meet the wants of our outlying cities and towns. Many of these are without the needed capital to protect themselves, and look to the seaboard for the protection they require.

It seems evident that such deposits must cease altogether, or extend indefinitely to meet a constant increase of requisition.

In self-defence, state will compete with state in protecting, by this means, its own citizens, until the companies which, in their zeal for increased business, are led beyond the point of safety, will cease to be the safe reliance they once were.

Ultimately, claims resulting from some extraordinary loss might be paid, but it is to be remembered that policies, in states holding deposits, must expire or be cancelled before these deposits would be available for use in another state; and that a long time would elapse before the state authorities would be satisfied of the termination of outstanding claims. Meanwhile, the sufferer by some great conflagration, holding policies in many other companies, whose assets have been similarly diverted from their proper use, would find little consolation in knowing that perfectly solvent institutions owed him money, which they would pay if they had control of their own resources, but wanting this, could not.

The path of security seems to be in the very opposite direction; in prohibiting the transaction of any business by any company in any state where the funds of such company are locked up in other states, or where any portion of its assets is so locked up, exceeding 20 per cent of its net possessions; the more especially as all the assets of a company are within reach of the United States courts in the event of a loss.

There is scarcely a city in the Union, of any magnitude, where this dispersion of assets under state laws is not worthy of the gravest consideration. There exists no greater fallacy, in the judgement of this committee, than the belief, on the part of any community, that its interests are promoted by such a system of deposits.

The undersigned would further invite attention to another point, viz.: During the last session of the legislature of this state, several bills were introduced defining, as it appeared to the underwriters, most dangerously, in what manner losses should be paid, fixing the value of the property insured at the sum named in the policy, and compelling the companies to pay that amount unless they could show that the loss was not so great. One of the objections to this departure from the usage so long sanctioned by experience, has before been adverted to, viz.: the increased charge of premiums to which it would lead.

The Chamber of Commerce thought proper to remonstrate most earnestly against such a law, and a copy of their memorial is hereto appended for the use of this convention.

And the undersigned respectfully urge that your honorable body will carefully consider the matters which have thus been brought to your notice, to the end that not only the merchants of this city, but of every

city, in case of loss by fire, may realize the full value of every policy of insurance they may hold, and, on the other hand, that our insurance companies may be protected against unjust or fraudulent claims.

Respectfully submitted,

(Signed,)

A. A. LOW,
JONA STURGES,
S. B. CHITTENDEN,
MORRIS K. JESUP,
JOHN TAYLOR JOHNSTON,

Committee.

NEW YORK, May 24, 1871.

To the Honorable the Legislature of the State of New York, in Senate and Assembly convened:

May it please your honorable bodies:

The Chamber of Commerce of the state of New York respectfully but earnestly remonstrates against the passage of Assembly bills Nos. 654 and 625, and against any and all other bills containing provisions of a kindred character. Both of these bills contain such provisions respecting the adjustment of losses by fire insurance companies as will, if they become legal enactments, tend to increase the crime of arson, to encourage the perpetration of frauds, to enhance greatly and improperly the amounts of losses to be paid by insurance companies, and lead not only to a degradation of public morals, but also to an increase of the burdens of honest citizens by involving their property more frequently in destruction by fires caused by incendiaries, and by making it necessary to pay such greatly increased rates of premium for insurance as will be required, under such circumstances, to pay the increased losses. One of these bills provides also for the deposits by insurance companies of other states of the union of the sum of \$100,000 as a pre-requisite to the privilege of pursuing the business of fire insurance in this state. The insignificance of the sum, in view of the losses which insurance companies are liable to sustain in any considerable city in the state, and the fact that all of the assets of any such company are within reach of the courts of the country, render such deposits practically valueless for protection. The supervision and control over such companies exercised in accordance with the provisions of existing laws, by the superintendent of the insurance department, including the right of ascertaining the correctness of the ample annual reports made by the companies to the department, by a personal and thorough examination of their assets and liabilities by the superintendent renders any such deposits entirely useless. In addition to this, the existence, in many states, of what are known as reciprocal laws will, if this measure becomes a law, make it necessary for our own companies, if they continue their business in such states, to deposit an equal amount in each.

The effect of such a locking-up of assets would make insurance companies unreliable in exact proportion to the degree to which their assets were thus specifically pledged. The interest of the citizens of the whole country, and especially of those whose property is in cities or towns sufficiently large to furnish materials for an extensive loss of property by fire, is adverse to all such legislation. A loss of property by fire causes an urgent need on the part of the loser, which can only be met by prompt action and prompt payment on the part of the insurance companies; a course which, in the event of such conflagrations as have repeatedly occurred in this and in other cities of this and of other states, would be rendered impossible by such a hypothecation of their assets. Under the provisions of the bill referred to, the existing policies must all have ter-

minated in due course of expiration, or by cancellation, and not less than six months in addition to this indefinite period must also elapse before the deposits are released.

In view of the wrong which may be done to the insured by such special pledging of its securities by an insurance company, it is important to consider whether, by legal enactment, companies which have any considerable portion of their property so pledged should not be debarred from transacting business in this state.

The Chamber urges that no such laws should be enacted by the state of New York, which should be foremost in legislation with regard to the important business of insurance, of the broadest and most enlightened character, securing at once the most ample and certain official knowledge respecting the insurance companies, and leaving them in condition to respond promptly to all just claims, however extensive.

Dated New York, April 10, 1871.

Upon the conclusion of his paper, Mr. Low said: Mr. President, perhaps the argument which the committee of the Chamber of Commerce has presented might have been extended to the life insurance companies; if so, you will appreciate the fact. But there is a distinction. Our fire insurance companies are largely incorporated companies, and existing through capital owned by the merchants of our city. Our life insurance companies are, to a great extent, mutual companies, under the control of their policy holders and, of course, their interests do not affect the interests of the commercial community as the fire companies do. Beyond that, life companies are not subject to those vast and devastating calamities to which fire companies are liable and by which they may be broken up in a day, or a night, and the safeguards which seem necessary in the one case do not seem so necessary in the other. For that reason, the committee have confined their remarks to the fire companies, leaving you to extend them to the life companies if you see fit. The memorial which was sent to the Legislature of New York, and which is mentioned in this communication, is appended. It seems to the committee hardly worth while to read it, but it is left in the hands of the convention to be consulted, if they see proper to do so.

On motion of Mr. Brinkerhoff, the communication from the Chamber of Commerce was referred to the appropriate committee.

Mr. Row—I understand that the Hon. William Barnes, formerly superintendent of the insurance department of this state, is in the city, and, in consideration of his eminent services to the insurance world, I move that he be invited to a seat with us as an honorary member.

Mr. HARVEY offered, as a substitute for the motion of Mr. Row, the following resolution: That all ex-commissioners and superintendents of insurance be invited to be present, as honorary members of this convention; and that all actuaries and experts in the business of life and fire insurance, be invited to appear before the various committees of the convention, and give their views. Carried.

The PRESIDENT—I am informed that the National Board of Underwriters are prepared to submit a communication to the convention by a committee, of which Mr. Heald is chairman.

COMMUNICATION FROM THE NATIONAL BOARD OF FIRE UNDERWRITERS.

Mr. HEALD, from the committee of the National Board of Underwriters, read the following communication:

Mr. PRESIDENT AND GENTLEMEN—We appear before you at this time as the representatives of the National Board of Fire Underwriters, pursuant to a resolution adopted by that board at its recent annual meeting in this city. The resolution is as follows:

Resolved, That the interests of the public require uniform, clear and concise reports of the condition of all the fire insurance companies in the country, and that this board respectfully requests the gentlemen having charge of the departments in the various states to exert their influence in bringing into use

a uniform blank for reports; and that a committee of five be appointed to present the views of this board to the convention of insurance superintendents, to be held in this city in the coming month, and to urge upon said convention the importance of uniformity, both in forms of reports and legislation relating thereto."

We appear before you with the greater pleasure and confidence, because we believe you have already experienced some of the difficulties under which we labor, and because we know that some of you, where forms are not prescribed by statutory enactments, have done and are now doing all in your power to remove the objectionable features in your blanks of which we complain. It surely is needless for us to urge upon you the importance of such yearly statements from the fire companies as shall best present to the practical understanding of the public the true and actual condition of the companies, while the aggregate experience of the many shall give to each the data from which to deduce the great laws that underlie the business of underwriting. To unite these two qualities, without rendering the annual statements too unwieldy and prolix for general popular use, as you are aware, has proved no easy task. The present condition of statistical information on fire insurance has been the result of the past quarter of a century, and, imperfect as it is, has been found of incalculable benefit to the practical underwriter. Its progress, like all other sciences, has been slow, but it has already outrun any similar aggregation of fire statistics in the Old World, and challenged admiration and imitation. The importance which the public mind attaches to this class of information is witnessed by your presence here to-day, representing as you do the public sentiment of the most wealthy and populous states of the union. The public mind is thoroughly awakened to the importance and value of aggregated experiences in all the avenues of business, as well as in those relations of life where the great law of average has long since been recognized to exist. Though the fire interests have as yet no well-trying tables of mortality like the life business, we believe the time is not far distant when we shall be in possession, through your efforts and skillful aggregation of our individual experiences, of tables and demonstrations of the great laws of our business as certain and reliable for the practical and we trust profitable administration of our business, as the Carlisle or any other tables have been found for the guidance of the great life interests of this and other lands. We do not take it upon ourselves unsolicited to enter upon the mode in which this great end is to be accomplished, nor do we assume to point out details or recommend for your adoption the peculiar form of statement adopted by any of the states. The purpose of the National Board will be answered if we succeed in effectively calling your attention to some of the more important items of these annual exhibits, and securing a greater if not perfect uniformity in the blanks we are called upon from year to year to use in giving to the state and the public that information which they are entitled to receive, and which it should always be the pleasure of every sound and reliable company to give.

1. It is all important that these statements should be made at one given time, at the close of the fiscal year, that they should be made from actual realized results, and not from mere estimates of any portion of the year's business. To this end sufficient time should be allowed to enable all of the results, even to the last hour of the fiscal year to be obtained and embodied in the statement. Ordinarily this may be done by the 20th of January, by American companies, and, if the forms of report to all the states were alike, no difficulty would be experienced by the aid of the printing press in having the same filed by the last day of the month as is now required by most of the states. When actual results of the year's business are reported instead of at least one-twelfth part of the entire year by estimate, your information of the real condition of the companies will be far more accurate; the large balances in the hands of agents will be reduced to more reasonable limits in many cases, and your generalizations from details will be of infinitely more value to us and the insuring public.

2. The statement should be in all the states, as it now is in most of them, in the form of a balance, showing first the actual cash assets and actual and con-

tingent liabilities; and a balance showing actual income and expenditures. The latter will be comparatively free from difficulties, and is usually the same or essentially so in all the blanks.

The mode of ascertaining the actual cash assets and the liabilities will doubtless be found no easy problem, and when such form shall have been fixed upon, the certainty of obtaining the truth is by no means as great as we could wish it to be, though we are glad to be able to say that instances of evident falsehood in statements of late have not been as numerous as in former years. The estimate of unpaid losses can be verified only by comparison with the amounts actually paid, as is made to appear by the next annual statement. The great unsolved, and, in the present condition of statistics, unsolvable problem, is the true and necessary amount to be retained as a re-insurance fund. On this point there is, perhaps, a greater diversity of opinion than there is or can be of fact. It is but fair that you should officially assume a general course of trade—a uniform condition of the business—that all prudently-managed companies will hold nearly an identical course, and that the average of one will be the average of another; this certainly is true of companies having actual capital and prudently managed—not that there is an actual average figure well defined and invariable even among the best as compared one with another, but a near approach to an average, fixed enough to enable us to determine the actual condition—reliable enough to enable you to detect and point out any unsoundness in the company or falsity in the statement.

The different percentages shown by the different companies, present some curious features oftentimes, and the figures are so widely apart as to attract the attention of even the uninitiated. The last annual report to the insurance department of this state shows that percentage to be as low as 19 per cent. and as high as 65 per cent. of the net cash premiums of the year, while the average of all is a trifle over 50 per cent., including inland and marine premiums. The object of thus comparing the unearned liability with the net premiums of the year should be to detect any divergencies in giving the amount of premiums on unexpired risks on which the percentage of liability is calculated. If, from general experience, it be found that fifty per cent. of the net cash premiums of the year will be required for re-insurance, you have a rule, imperfect though it be, by which to square the more extreme of the lower averages of unearned liability. It is not contended that there may not be exceptions to such a figure; but when it is considered that this figure is the average of the extremes, it will doubtless be regarded as quite equitable.

There is no point, perhaps, in the yearly statements, about which so much confusion is produced in the public mind as that of the net surplus of the companies.

This has been increased by the different standards of estimating the unearned liability adopted by the different states. For instance: the same company is made to report this liability by the blanks in use at \$1,366,883.60 to New-York, \$1,313,587.80 to Ohio, and \$1,050,870.32 to Illinois—thus making its net surplus to appear in these States respectively \$511,455.71, \$564,751.41, and \$827,468.99; while across the river, in Iowa, the last named is shrunk to \$652,123.99 by the deduction of deposits in other states; and on the east, in Indiana, it is augmented to \$1,878,339.31. A comparison of these figures, without the questions to which they are responsive, is well calculated to impair confidence in their truth in the minds of those unfamiliar with the requirements of the blanks. This example is but one of a hundred that might be given. We are required to answer without erasure of word or comma, and the result is as above. If we give *one* answer to all the states, we are made to state that which is substantially true, but by your forms technically false. This is another strong argument for the adoption of at least an uniform percentage on the actual running premiums for all the states. To the adoption of some fair and uniform standard we do most earnestly urge this convention in behalf of the over-perplexed underwriters of the country.

3. We think we are safe in saying that any form now in use, however objectionable and unnecessary some of their requirements may be, would be prefer-

able to this worse than "confusion confounded" and the enormous labor required to answer conscientiously and truthfully questions so diverse as these now are, which are yearly put to us by at least thirty states in the union.

4. The gentlemen of this convention, we are quite sure will bear with us, if we suggest to them that it is in their power to fix upon a uniform blank either by the exercise of the discretion given them by their states or by legitimate influence in procuring the repeal of such statutory enactments as bind them, and as to requirements which are worthless to them and onerous upon us.

We have confined our suggestions to the subject committed to us by the board we represent, leaving to others to present other subjects of common interest to underwriters generally, as was very ably done yesterday by the committee of the New York Board.

In conclusion, permit us to say that in our judgment, no underwriter, worthy of the name, will ever be found complaining of the strictures of your enquiries, of their searching character, or of your fidelity in demanding truthful information for your departments and the public. We desire that the forms employed should be uniform throughout, and such as to give the public, with which we have to do, such information and facts in regard to our business, as shall enable it to judge of the soundness of the companies we severally represent, and at the same time protect itself against the designing and unworthy.

D. A. HEALD, }
GEO. L. CHASE, } *for Committee.*

Mr. SKEELS—Mr. President, I offer this resolution :

Resolved, That this convention has listened with great pleasure to the able communication presented by the committees of the New York Chamber of Commerce, the National Board of Fire Underwriters, the New York Board of Fire Underwriters, and the special convention of Life Insurance Companies, and that the president be directed to convey to them the thanks of the convention therefor.

Mr. BRESE—I have an amendment to offer to that resolution, as follows :

Resolved, That the suggestions embodied in the several papers will receive the attentive and respectful consideration of the appropriate committees, and such action on the part of the convention as their relative importance demands.

Mr. SKEELS—I would accept that amendment.

The PRESIDENT—It seems to be an independent resolution.

Mr. CALDWELL—But should properly be connected.

Mr. SKEELS—Very well, let them pass as one resolution.

The PRESIDENT—It is incorporated, then, with the resolution offered by Mr. Skeels.

The question was then put on the resolution, as amended, and carried.

Mr. KELSEY—I now call for the reading of this resolution :

Resolved, That the President, Vice-President and Secretary of this convention be authorized and requested to act as an executive committee in behalf of the delegates, to receive and suitably dispose of all invitations of a social character, from private persons, municipal authorities, or officers of corporations, without submitting the same to vote of the convention, except in cases where the same may, in their judgment, seem necessary.

The resolution was adopted.

TAXATION OF LIFE INSURANCE COMPANIES.

Mr. HARVEY offered the following resolution :

Resolved, That in the practice of dividing its surplus among its policy-holders, a mutual life insurance company should take into consideration the taxes levied upon premiums by the state in which the policy-holder resides, and that no deductions for tax expenses should be made from a dividend to a policy-holder residing in a state which does not charge the company with a tax upon its premium receipts ; or, in other words, that no portion of the taxes levied upon premiums in one state should be charged to or imposed upon the policy-holders residing in another state.

On motion of Mr. HARVEY, ordered to be referred to committee on taxation.

Mr. SMITH moved that a committee be appointed by the president to inform ex-state officers of insurance, who are absent, that the convention had formally passed a resolution inviting them to take seats with the convention as honorary members.

Which was agreed to.

The PRESIDENT appointed as such committee, Messrs. Smith, Wailes, and Row.

Mr. BRINKERHOFF—Mr. President, I would like to have you announce to parties who may come in from time to time, that it is the earnest request of every delegate that every gentleman representing fire or life, or any other interest, will give us, in the several and appropriate committees, all the light in their power to bestow upon the subject we are to investigate. We come here to learn the facts in regard to these several things with which we are not acquainted; and we cannot obtain information in any way other than by inviting and receiving these gentlemen in the committees.

The PRESIDENT—I state to those who are present, to take means to communicate with all the actuaries of life companies, the fact that they are respectfully invited to attend the meetings of the committees, at the Fifth Avenue Hotel, in the evening, this and other evenings; and that the committees will be in session there to receive facts, suggestions, and to hear arguments.

Mr. SMITH—Mr. President, let me introduce to you, and to this convention, our honorary member, the Honorable Elizur Wright.

Mr. WRIGHT was received with applause, and spoke as follows: I am happy to express my thanks for the honor the convention has done me by its invitation to witness its deliberations. And I think, even at considerable sacrifice, I should have come, though without an invitation, as a listener. And I am only a listener now, unless I am invited by either your convention or your committees to speak, when I shall be happy to give such information as lies in my power.

Mr. SMITH—I now propose that this convention request the Honorable Elizur Wright, at any time that may be convenient to him, to address this convention, especially upon the subjects which are referred to the committee of which I am a member.

The motion was seconded and agreed to.

ACCIDENT INSURANCE.

Mr. HARVEY—I understand that Mr. Batterson is present, and that he has a communication to make to this convention. If he is, please to present it. I presume the convention is ready to hear it.

Mr. HARVEY moved that Mr. Batterson, of The Travelers Insurance Co., be invited to present his communication.

The motion was agreed to.

Mr. BATTERSON came forward and said:

GENTLEMEN OF THE CONVENTION:

I have been requested to represent the only companies in the country making a specialty of insuring against accidental loss of life and personal injuries.

It will be apparent, and I trust without any argument whatever from me, that the same uniformity of public supervision in the matter of annual reports and various other state requirements, should be observed in regard to these companies, as may be deemed expedient and necessary for all other branches of the insurance business.

The same necessity exists for a correct valuation of policies, and the computation of a sufficient reserve to provide for future liabilities, as exists in regard to any other class of insurance policies.

The various points submitted by Mr. F. S. Winston, chairman of the committee appointed by the life insurance companies, are referred to as substantially covering the necessities of our business.

It is proper, however, that I should call your attention to the fact that a very different standard of reserve should be fixed for policies covering only one of the causes of mortality, and for a limited period of time, from those which cover all of the causes, and for the whole period of life.

The large experience of the Travelers' Insurance Company, over a period of seven and one-half years—covering the issue of over 200,000 policies—has been carefully tabulated, and is hereby submitted for your consideration as the most complete and reliable data to be obtained on this subject.

These practical results will be found exceedingly interesting and instructive—showing conclusively that the law of average is equally reliable in determining the premium to be charged for a policy against accidental loss of life or personal injury, as it is in regard to any other contingency against which insurance policies ever have been written.

To every person accidentally killed, it is found that about 80 persons will receive non-fatal injuries producing an average disability of 20 days, and as \$650 insured as compensation for personal injury is to \$5,000 insured against accidental death, so these sums are to the premium charged on the assumption that the losses will be equal.

Up to the first of January of the year 1871, this company had paid \$1,234,498.30 in losses to policy-holders. Of this sum, \$625,825 were paid for accidental death losses, and \$608,673.30 for claims paid as compensation for personal injuries.

The monthly average for accidental death claims has been \$7,726, and the monthly average for personal injuries non-fatal, \$7,514.48

In the whole history of the insurance business, we invite reference to any law more clearly proven, or as nicely balanced by actual results.

In this connection your attention is especially invited to the company's reserve tables, by which there is constantly maintained for the protection of unexpired risks, a reserve which exceeds the probable losses ascertained by experience with an addition thereto of fifty per cent., and this fund is kept intact over and above the capital stock and all other resources. The assumptions upon which this reserve is made have proved to be more and more reliable by the actual results of every succeeding year's business.

We believe that in no other branch of insurance have there been more liberal benefits conferred for the premiums paid. And, further, it is respectfully submitted, that the results of this limited life or accident insurances are especially deserving careful consideration by all interested in life insurance in this particular; that the experience of these companies, when fully analyzed and tabulated, will furnish a mass of statistics nowhere else attainable respecting the effect which the accidental element has among different classes of persons and pursuits.

The statistics herein referred to apply solely to the accident department of this company's business, and not to full life and endowment policies, which, with the premiums thereon received, are kept distinct and separate, and valued by the same rule of reserve applied to like policies written by all other life companies.

In conclusion, we indulge the hope, without knowing on what it is based, that the day is not far distant when contracts of insurance will be regarded in the same light as all other classes of commercial contracts, and not so reconstructed and enlarged by the findings of courts and juries, that the extent of the undertaking can never be determined with any degree of accuracy by the parties themselves. Then we shall be able to avoid many of the evils arising from fraudulent experiments upon the funds of insurance companies, and more fully protect the honest insurant upon a still lower scale of premiums than hitherto received.

Mr. BRINKERHOFF moved that the report of Mr. Batterson be received, and that it take the course of the other documents which have preceded it, and, also, that his name be included in the resolution offered by Mr. Skeels.

The motion was seconded and agreed to.

Mr. SMITH—Mr. President, the Honorable Elizur Wright expresses his willingness now to address us. Mr. Wright informs me he is expecting a telegram calling him out of the city, and unless we improve the present moment we may not receive the benefit of his remarks.

Mr. Wright was invited to address the meeting; and come forward and said:

ADDRESS OF HON. ELIZUR WRIGHT.

Mr. PRESIDENT AND GENTLEMEN—In speaking on this question, of the proper valuation of life policies, I shall have to invoke your very great patience for two reasons. It is a subject on which one can be very easily misunderstood, and my vocal faculties are such that it is very difficult for me to make myself understood, where I understand the subject.

I wish to call your attention to an historical fact, as preliminary to what I shall say in regard to the valuation of life policies.

As you are informed by the president, life insurance has flourished on the other side of the water, for many years. It originated there as an application of the principles of gambling by a bank to a useful purpose, that is, providing for a family. These life insurance companies as gambling banks (I do not intend any disrespect to life insurance companies, I refer merely to the fact), were established under the teachings of mathematicians, such as Pascal, and many others whom you are familiar with. They existed for years; and it began to be feared by those who observed their progress, that the banks would fail. They were reformed by Dr. Price, the great friend of Dr. Franklin, in regard to this liability to failure.

They were put on a new foundation, by which they were made safe, as gambling banks. The original bet with the bank was by the individual, that he would die; and the bank bet that he never would die. The bank staked a certain sum; and the individual would have had to stake exactly the same sum, plus the sum necessary for the bank to charge as its profits—say one-third. But that would not be an attractive bet: that would not provide for a family at all; but the bank, taking into consideration that it would realize upon the stake laid down (which would be in its hands until the man died) a certain interest, applied to the mathematicians to calculate this interest to find what sum paid down would make the bank good for the ultimate certain loss of the bet, and the expenses. This is single premium. This bet began to be attractive: this will do something to provide for a family. Say, if a man is thirty, he pays in three hundred dollars, he may have a thousand when he dies, by virtue of the accumulation of interest. But the bank can make it still more attractive, by commuting or substituting for the single premium an annuity payable during the life of the party. That, with the extra charge for expenses, is the annual premium. But the party might cease to pay the annuity; so that there is a necessity here for another bet. This additional bet is, that the party will persist in paying the annuity. He bets he will persist; the bank bets he will not persist. His stake is whatever he has paid, what annuity remains in the hands of the bank at the time.

The bank, on the other hand, stakes that if he does pay the annuity, the bank is under obligation to continue the risk. In these two bets a man is secured against being left out, being dropped at any time when he shall cease to be insurable; and this is what provides for the family through the gambling bank. But they never did provide for the parties going out; that never was taken into consideration. The consequence of leaving this out of mind, leaving out any equitable surrender value, was, that by the profits on these bets the company could get along without the reserve that they are now obliged to keep. That is to say, they found by experience that the bet on persistence yielded them enough to pay their expenses, and, often, to pay their claims; so, they did not seem to have any necessity for a reserve; and they would, therefore, divide up among the members, or squander in expenses whatever was left, after paying the claims of the year, and go on in that way. That was the rule with a large number of companies in Great Britain; and that it was which brought them to grief.

There were a few companies, always, that followed the counsels of Dr. Price, and made a valuation by assuming a certain rate of interest and mortality. By this, they valued all their risks and probable expenses, as a debit against the company. Then they valued all the future premiums, actually receivable, as a credit to the company, adding to this their present fund. In that way they actually kept, by a perfect gross valuation, the same reserve that we get at by a net valuation.

That I may not be misunderstood on this subject, I put together, very hastily, before I came from home, a few words, which you will allow me, perhaps, to read. The valuation which was established by law, in Massachusetts, in 1858, the net valuation, has been considered by the public at large, and by a great many insurance men, as applied, as a test of solvency of the company. That was not the intention of those who framed the law and applied this valuation. It was not considered a test of solvency, for reasons which I shall explain.

Actual insolvency, or inability to pay a present debt, is a fact which speaks for itself. Conversely, the ability to pay all debts now due is solvency, and this is a fact which speaks for itself. The question, then, which seeks an answer is not that of solvency in the sense of the market. It is rather whether the condition of solvency at present existing will continue until every pending contract is settled.

As the human mind is not known to possess any prophetic faculty whatever, outside of what it bases on the assumption that what *has* been *will* be, this question of ultimate solvency will depend upon the accuracy of observations upon the past in regard to all the causes that may affect it.

If there were no other contingencies in the case beside those which belong to the duration of life and the interest of money, the conclusion at the strongest could be only probable. We can never be certain of more than a *reasonable degree of safety*, on the score of the arithmetical calculations founded on hypotheses. There are other practical elements that do not admit of these calculations, and are only to be met by courage and faith.

Obviously, if we wish to approximate the line which divides between such resources as probably will, and such as probably will *not* meet all the debts of a company as they become due, our calculation or valuation must not omit any thing calculable which pertains to the subject. Consequently it cannot be a *net valuation*, which purposely ignores many quantities that affect the solution. Neither can it be such a *gross valuation* as is commonly made, since that also omits quantities equally important.

The gross valuation which you find in English balance sheets generally omits the expenses altogether. In 1844, when I spent seven months in London, I had the curiosity to make a collection of balance sheets of companies, and I obtained about 100; and I am very sure that in these valuations there was no notice taken of future expenses, with the exception of three or four companies. In general, if they give a balance sheet at all, they balance the liabilities on the policies against their assets and the full value of their future premiums. In this case, a company may be made to appear to have a very large balance in its favor, at a time when its insolvency cannot be more than a dozen years ahead, by any probability. Whereas, if they had made an assumption that the expenses of the future would be the same as those of the past—say fifteen per cent. on their premium income, whatever it might be—if they had applied this in the same way as a liability, and added it to the liabilities on the risks, they would have been below par. This test of solvency would not have shown them to be insolvent *at the time* by any manner of means, because there are always quantities which cannot be calculated. One of these quantities, in the absence of any surrender value, is what may be made on surrender and lapse, which, in old companies, is a very important element; so much so, that I have in my mind at this moment a company which, by its last report—by a fair, gross valuation, in which the expenses were included—did appear to be solvent; whereas, five or six years ago, by its report, it was evidently insolvent; and its solvency has been brought about by the bad credit which had come upon it from an exposure on this side of the water; which was prevented from getting public on the other side, in the public prints, by the libel laws of England, but which had got to the knowledge of the old policy holders of that company, and four millions of pounds sterling went out in one year, and in the next year rather more. And at the end of that time, there had been such a wiping out of liabilities that the company recovered, and is now probably among the class of companies that actuaries would not question to be solvent.

ANALYSIS OF PREMIUMS, RESERVING BY NET VALUATION AT SIX PER CENT.

Policy for \$1,000, entered at 35, payable at 100, or previous death.

ACTUAL PREMIUM \$20.45.

NET PREMIUM \$16.49.

Age.	Margin.	INSURANCE BUSINESS.		SAVINGS BANK BUSINESS.					
		Cost of Risk.		Risk.	Ins. Val.	Charge. 8 per ct.	Yearly Deposit.	Reserve or Self Ins.	Sur. value.
		From Prem.	From Int.						
35	3.96	8.69	0.00	991.74	163.50		7.80		
36	3.96	8.80	0.00	983.11	165.74	13.26	7.69	8.26	0.00
37	3.96	8.90	0.00	974.05	168.10	13.45	7.59	16.89	3.44
38	3.96	9.01	0.00	964.55	170.52	13.64	7.48	25.95	12.31
39	3.96	9.12	0.00	954.60	173.00	13.84	7.37	35.45	21.61
40	3.96	9.23	0.00	944.22	175.67	14.05	7.26	45.40	31.35
41	3.96	9.34	0.00	933.26	178.40	14.27	7.15	55.78	41.51
42	3.96	9.47	0.00	921.87	181.26	14.50	7.02	66.74	52.24
43	3.96	9.66	0.00	909.88	184.20	14.74	6.83	78.13	63.39
44	3.96	9.90	0.00	897.50	187.30	14.98	6.59	90.12	75.14
45	3.96	10.19	0.00	884.72	190.40	15.23	6.30	102.50	87.27
46	3.96	10.56	0.00	871.50	193.50	15.48	5.93	115.28	99.80
47	3.96	10.94	0.00	857.90	196.60	15.73	5.55	128.50	112.77
48	3.96	11.35	0.00	843.96	199.70	15.98	5.14	142.10	126.12
49	3.96	11.79	0.00	829.54	202.70	16.21	4.70	156.04	139.83
50	3.96	12.25	0.00	814.82	205.70	16.45	4.24	170.46	154.01
51	3.96	12.75	0.00	799.80	208.50	16.68	3.74	185.18	168.50
52	3.96	13.28	0.00	784.40	211.20	16.89	3.21	200.20	183.31
53	3.96	13.84	0.00	768.57	213.85	17.10	2.65	215.60	198.50
54	3.96	14.42	0.00	752.50	216.30	17.30	2.07	231.43	214.13
55	3.96	15.04	0.00	736.10	218.65	17.49	1.45	247.50	230.01
56	3.96	15.70	0.00	719.50	220.88	17.67	0.79	263.90	246.23
57	3.96	16.36	0.00	702.50	222.84	17.82	0.13	280.50	262.68
58	3.96	16.49	0.57	685.25	224.62	17.97	0.00	297.50	279.53
59	3.96	16.49	1.30	667.68	226.20	18.00	0.00	314.75	296.75
60	3.96	16.49	2.21	650.05	227.66	18.21	0.00	332.32	314.11
61	3.96	16.49	2.96	632.20	228.80	18.30	0.00	349.75	331.65
62	3.06	16.49	3.86	614.20	229.70	18.37	0.00	367.80	349.43

63	3.96	16.49	4.82	597.05	230.30	18.42	0.00	385.80	367.38
64	3.96	16.49	5.77	578.00	230.55	18.44	0.00	402.95	384.51
65	3.96	16.49	6.80	560.00	230.55	18.44	0.00	422.00	403.56
66	3.96	16.49	7.85	541.80	230.20	18.41	0.00	440.00	421.59
67	3.96	16.49	8.94	523.80	229.50	18.36	0.00	458.20	439.84
68	3.96	16.49	10.07	506.00	228.40	18.27	0.00	476.20	457.93
69	3.96	16.49	11.18	488.05	227.02	18.16	0.00	494.00	475.84
70	3.96	16.49	12.33	470.50	225.20	18.01	0.00	511.95	493.94
71	3.96	16.49	13.50	453.10	223.10	17.85	0.00	529.50	511.65
72	3.96	16.49	14.67	435.80	220.60	17.65	0.00	546.90	529.25
73	3.96	16.49	15.85	418.70	217.75	17.42	0.00	564.20	546.78
74	3.96	16.49	17.05	401.85	214.58	17.17	0.00	581.30	564.13
75	3.96	16.49	18.27	385.50	211.05	16.88	0.00	598.15	581.27
76	3.96	16.49	19.45	369.20	207.47	16.60	0.00	614.50	597.90
77	3.96	16.49	20.65	353.20	203.35	16.27	0.00	630.80	614.53
78	3.96	16.49	21.87	337.55	198.88	15.91	0.00	646.80	630.89
79	3.96	16.49	23.06	322.35	194.06	15.52	0.00	662.45	646.93
80	3.96	16.49	24.21	307.30	188.94	15.11	0.00	677.65	662.54
81	3.96	16.49	25.31	292.60	183.46	14.68	0.00	692.70	678.02
82	3.96	16.49	26.31	278.00	177.70	14.21	0.00	707.40	693.19
83	3.96	16.49	27.21	263.40	171.66	13.73	0.00	722.00	708.27
84	3.96	16.49	28.04	248.85	163.86	13.11	0.00	736.60	723.49
85	3.96	16.49	28.89	234.60	158.80	12.70	0.00	751.15	738.45
86	3.96	16.49	29.75	220.30	152.00	12.16	0.00	765.40	753.24
87	3.96	16.49	30.53	205.75	144.98	11.60	0.00	779.70	768.10
88	3.96	16.49	31.45	191.60	137.00	10.96	0.00	794.25	783.29
89	3.96	16.49	32.39	177.20	130.78	10.46	0.00	808.40	797.94
90	3.96	16.49	33.42	163.40	123.60	9.89	0.00	822.80	812.91
91	3.96	16.49	34.59	150.00	116.42	9.31	0.00	836.60	827.29
92	3.96	16.49	35.97	137.20	109.50	8.76	0.00	850.00	841.24
93	3.96	16.49	37.60	125.40	102.92	8.23	0.00	862.80	854.57
94	3.96	16.49	39.30	114.55	96.16	7.69	0.00	874.60	866.91
95	3.96	16.49	41.93	106.00	90.04	7.20	0.00	885.45	878.25
96	3.96	16.49	44.21	99.20	82.69	6.62	0.00	894.00	887.38
97	3.96	16.49	42.22	90.20	68.28	5.46	0.00	900.80	895.34
98	3.96	16.49	35.23	73.10	34.70	2.78	0.00	909.80	907.02
99	3.96	16.49	00.00	0.00	00.00	.00	0.00	926.90	926.90
100								1,000.00	1,000.00

POLICY FOR \$1,000, ENTERED AT 35, PAYABLE AT 45, OR PREVIOUS DEATH.

Actual Premium, \$89.25. Net Premium, \$76.71.

Age.	Margin.	Cost of Risk.		Risk.	Ins. Val.	Charge. 8 per ct.	Yearly Deposit.	Reserve or Self Ins.	Sur. Value.
		From Prem.	From Int.						
35	12.54	8.12		927.30	39.08		68.59		
36	12.54	7.60		847.69	33.08	2.65	69.11	72.70	70.05
37	12.54	7.01		766.79	27.28	2.18	69.70	150.31	148.13
38	12.54	6.34		678.21	21.71	1.74	70.37	233.21	231.47
39	12.54	5.57		583.50	16.46	1.32	71.14	321.79	320.47
40	12.54	4.71		482.18	11.65	.93	72.00	416.50	415.57
41	12.54	3.74		373.76	7.25	.58	72.97	517.82	517.24
42	12.54	2.65		257.68	3.96	.32	74.06	626.24	625.92
43	12.54	1.41		133.32	1.41	.11	75.30	742.32	742.21
44	12.54	0.00		0.00	0.00	.00	76.71	866.68	866.68
45								1000.00	1000.00

To decide whether a company is more likely to succeed than to fail in meeting the ultimate claim on its existing contracts, the following things, at least, are to be duly considered.

1. Its present assets.
2. The actual premiums receivable.
3. The rate of interest that may be expected, as an average, from the present moment till the latest claim falls due.

I mean, here, that rate of interest which is averaged on all the funds from premiums from the time it is received. Any large working company is always supposed to have a large sum which is not at interest, which reduces the average interest below that of the investments.

4. The rate of mortality that may be expected.
5. The range of the policies, or the chance that the average claim will be more or less than the average policy.

This is a thing that is necessary always to be taken into account, and it is provided for by that excess of loading which remains after the expenses are paid, which is provided for contingencies. This is a contingency which, very frequently, is little thought of by actuaries, or by departments, and endangers a young company, especially where it takes large policies. That is the reason why a young company should always, in prudence, re-insure everything that is above, say, three or five thousand dollars. Otherwise this may happen, that the average of its death claims may be, perhaps, \$5,000, while the average of policies is only \$2,000; so, while its mortality is less than was to have been expected, its losses would be a great deal more.

6. The probable expenditures outside of policy claims.
7. The effect of forfeiture and surrender.

All these things are to be taken into account when you test the solvency of a company; and it requires a great degree of judgment and experience, in addition to mathematics, to solve the question whether a company should be allowed to go forward and issue new policies, or should be restrained. As a test of this, a net valuation does not begin to approach the subject. A net valuation is, as I hope to be able to show you, a great safeguard; and I do not think anything is to be taken back that has ever been said in its favor. Gross valuations usually either ignore the last three considerations, or assume that the profits of forfeiture and surrender will pay all expenses outside of the claims. In the presence of this conflict of counter-assumptions, a valuation of any sort becomes, in fact, valueless. Nothing in the business is more certain than working expenses. And nothing is, perhaps, less calculable than the profits of lapse or surrender.

You might as well set two unknown quantities in conflict as a known quantity with an known quantity. So that all calculations based upon what will be made out of the lapse or surrender of policies should be thrown out of the account; and it should be so much surplus.

The aim of a well-managed company should be neither to gain nor to lose by the withdrawal of policies before maturity, and to regulate expenditures outside of the policies so that it shall bear a constant ratio to the insurance value, or be proportioned to the strength of the company. Supposing these two things settled satisfactorily, we may approach the solution by discounting all the future liabilities and expenses on the policies by average mortality and interest, for the debit, and discounting the future assets in the same way to be added to the present assets as the credit. In my own mind, an assumption of six per cent. as the rate of interest to be assumed, is not unreasonable if backed by considerable capital. The various rates of mortality in use differ so little in their results, that their difference, in presence of other contingencies that affect the question, is not worthy of much attention. There can be very little probability of carefully selected lives falling below the vitality of either the American experience as adopted in New York, or the combined experience of the English companies, adopted as the standard in Massachusetts. If a gross valuation at six per cent., by either rate of mortality, provides a sufficient reserve out of the future premiums to meet the future expenses, it will unquestionably show us what could not

LIFE INSURANCE CHART.

Analysis of Premiums, and establishment of a Savings Bank or Trust Fund, distinct from the Insurance part of the business, which necessarily result from a law prescribing a reserve fixed by net valuation. By Actuaries' Mortality at 4 per cent.

Policy for \$1,000, entered at 35, payable at 60, or previous death.
Actual Premium, \$26.38. Net Premium, \$19.87.

AGE	INSURANCE BUSINESS.						SAVINGS BANK BUSINESS.		
	Margin for expenses, &c.	Normal Cost of Insurance.		Amount Insured by the Company.	Present Value of Normal Costs of Insurance.	Surrender Charge or 8 per cent. of Insurance Value.	Annual Deposit.	Reserve at end of Policy-year, or Self-insurance.	Surrender Value.
		From Premiums.	From Interest on Reserve.						
	1	2	3	4	5	6	7	8	9
35	\$6.51	\$8.83	\$0.00	\$988.52	\$215.20		\$11.04		
36	6.51	8.91	0.00	976.66	216.60	\$17.33	10.96	\$11.48	\$0.00
37	6.51	8.98	0.00	964.41	218.10	17.45	10.89	23.34	5.89
38	6.51	9.07	0.00	951.75	219.60	17.57	10.80	35.59	18.02
39	6.51	9.14	0.00	938.66	221.10	17.69	10.73	48.25	30.56
40	6.51	9.22	0.00	925.14	222.75	17.82	10.65	61.34	43.52
41	6.51	9.30	0.00	911.16	224.40	17.95	10.57	74.86	56.91
42	6.51	9.39	0.00	896.71	226.10	18.09	10.48	88.84	70.75
43	6.51	9.54	0.00	881.84	227.80	18.22	10.33	103.29	85.07
44	6.51	9.75	0.00	866.59	229.60	18.37	10.12	118.16	99.79
45	6.51	9.99	0.00	850.98	231.40	18.51	9.88	133.41	114.90
46	6.51	10.31	0.00	835.08	233.10	18.65	9.56	149.02	130.37
47	6.51	10.64	0.00	818.89	234.71	18.78	9.23	164.92	146.14
48	6.51	11.00	0.00	802.44	236.24	18.90	8.87	181.11	162.21
49	6.51	11.38	0.00	785.70	237.64	19.01	8.49	197.56	178.55
50	6.51	11.78	0.00	768.72	238.93	19.11	8.09	214.30	195.19
51	6.51	12.21	0.00	751.50	240.05	19.21	7.66	231.28	212.07
52	6.51	12.67	0.00	734.08	241.01	19.28	7.20	248.50	229.22
53	6.51	13.15	0.00	716.46	241.82	19.35	6.72	265.92	246.57
54	6.51	13.65	0.00	698.65	242.45	19.40	6.22	283.54	264.14
55	6.51	14.18	0.00	680.68	242.88	19.43	5.69	301.35	281.92
56	6.51	14.73	0.00	662.57	243.11	19.45	5.14	319.32	299.87
57	6.51	15.29	0.00	644.31	243.12	19.45	4.58	337.43	317.98
58	6.51	15.88	0.00	625.94	242.95	19.44	3.99	355.69	336.25
59	6.51	16.50	0.00	607.47	242.55	19.41	3.37	374.06	354.65
60	6.51	17.18	0.00	588.98	241.94	19.35	2.69	392.53	373.18
61	6.51	17.89	0.00	570.48	241.05	19.29	1.98	411.02	391.73
62	6.51	18.64	0.00	552.02	239.91	19.19	1.23	429.52	410.33
63	6.51	19.42	0.00	533.64	238.50	19.08	0.45	447.98	428.90
64	6.51	19.87	0.36	515.36	236.79	18.94	0.00	466.36	447.42
65	6.51	19.87	1.20	497.22	234.82	18.79	0.00	484.64	465.85
66	6.51	19.87	2.07	479.28	232.53	18.60	0.00	502.77	484.17
67	6.51	19.87	2.97	461.55	229.94	18.40	0.00	520.72	502.32
68	6.51	19.87	3.88	444.05	227.05	18.16	0.00	538.45	520.29

AGE.	INSURANCE BUSINESS.						SAVINGS BANK BUSINESS.		
	Margin for Expenses, &c.	Normal Cost of Insurance.		Amount Insured by the Company.	Present Value of Normal Costs of Insurance.	Surrender Charge or 8 per ct. of Insurance Value.	Annual Deposit.	Reserve at end of Policy-year, or Self-insurance.	Surrender Value.
		From Premiums.	From Interest on Reserve.						
	1	2	3	4	5	6	7	8	9
69	\$6.51	19.87	\$4.79	\$426.80	\$223.90	\$17.91	\$0.00	\$555.95	\$538.04
70	6.51	19.87	5.72	409.82	220.45	17.64	0.00	573.20	555.56
71	6.51	19.87	6.65	393.13	216.74	17.34	0.00	590.18	572.84
72	6.51	19.87	7.59	376.76	212.75	17.02	0.00	606.87	589.85
73	6.51	19.87	8.53	360.70	208.53	16.68	0.00	623.24	606.56
74	6.51	19.87	9.47	344.99	204.00	16.32	0.00	639.30	622.98
75	6.51	19.87	10.42	329.63	199.27	15.94	0.00	655.01	639.07
76	6.51	19.87	11.35	314.61	194.33	15.55	0.00	670.37	654.82
77	6.51	19.87	12.28	299.97	189.18	15.14	0.00	685.39	670.25
78	6.51	19.87	13.22	285.72	183.78	14.70	0.00	700.03	685.33
79	6.51	19.87	14.13	271.85	178.14	14.25	0.00	714.27	700.02
80	6.51	19.87	15.01	258.33	172.35	13.79	0.00	728.15	714.36
81	6.51	19.87	15.82	245.13	166.31	13.30	0.00	741.67	728.37
82	6.51	19.87	16.56	232.16	160.06	12.80	0.00	754.87	742.07
83	6.51	19.87	17.24	219.37	153.66	12.29	0.00	767.84	755.55
84	6.51	19.87	17.83	206.69	147.10	11.77	0.00	780.63	768.86
85	6.51	19.87	18.41	194.11	140.40	11.23	0.00	793.31	782.08
86	6.51	19.87	18.99	181.62	133.63	10.69	0.00	805.89	795.20
87	6.51	19.87	19.55	169.22	126.74	10.14	0.00	818.38	808.24
88	6.51	19.87	20.17	156.96	119.86	9.59	0.00	830.78	821.19
89	6.51	19.87	20.88	144.96	112.98	9.04	0.00	843.04	834.00
90	6.51	19.87	21.61	133.25	106.16	8.50	0.00	855.04	846.54
91	6.51	19.87	22.45	121.92	99.50	7.96	0.00	866.75	858.79
92	6.51	19.87	23.40	111.20	93.04	7.44	0.00	878.08	870.64
93	6.51	19.87	24.67	101.31	86.92	6.96	0.00	888.80	881.84
94	6.51	19.87	26.00	92.41	81.20	6.50	0.00	898.69	892.19
95	6.51	19.87	28.03	85.26	75.98	6.08	0.00	907.59	901.51
96	6.51	19.87	29.85	79.73	70.20	5.62	0.00	914.74	909.12
97	6.51	19.87	28.29	72.35	60.61	4.85	0.00	920.27	915.42
98	6.51	19.87	22.19	58.33	42.07	3.37	0.00	927.65	924.28
99	6.51	19.87	0.00	0.00	0.00	0.00	0.00	941.67	941.67
100								1000.00	1000.00

Policy for \$1,000, entered at 35, payable at 45, or previous death.
Actual Premium, \$108.58. Net Premium, \$85.03.

35	\$20.50	\$8.22	\$0.00	\$920.10	\$40.67		\$76.81		
36	20.50	7.63	0.00	836.40	34.05	\$2.72	77.40	\$79.90	\$77.19
37	20.50	6.97	0.00	748.69	27.75	2.22	78.06	163.60	161.38
38	20.50	6.26	0.00	656.70	21.18	1.74	78.77	251.31	249.57
39	20.50	5.46	0.00	560.21	16.34	1.30	79.57	343.30	342.00
40	20.50	4.57	0.00	458.94	11.44	.92	80.46	439.79	438.77
41	20.50	3.60	0.00	352.60	7.21	.58	81.43	541.06	540.48
42	20.50	2.52	0.00	240.90	3.79	.30	82.41	647.40	647.10
43	20.50	1.34	0.00	123.49	1.34	.11	83.69	759.10	758.99
44	20.50	0.00	0.00	0.00	0.00	.00	85.03	876.51	876.51
45								1000.00	1000.00

be learned from a *net* valuation, to wit: the position of the company in regard to that dividing line, of which I have spoken, between sufficient and insufficient resources.

For mutual companies it seems highly expedient to give this line so wide a berth that there can be no doubt of even superabundant resources, and no necessity to discover their exact position in regard to the line. Hence the more convenient net valuation, which checks extravagant expenditure and favors the long-livers by fixing and maintaining a high standard of reserve, is far better for them. With the premiums they usually charge, if they acquire any considerable amount of business, although it should take the whole of the guarantee capital at the end of three or four years to make up the premium reserve by net valuation, there may be no indication of want of resources to meet the last claim. The so-called "impairment of capital" may be a good reason for closing the construction account and pressing that work of accumulation on which this sort of insurance depends, to keep the risks within manageable bounds.

After you have consumed your capital in obtaining a considerable business, say three or four thousand policies, the gross valuation would not show you anywhere near the line between solvency and insolvency. It would show you that you had full future resources and premium income, which would pay all claims to be expected.

But if stock companies are to exist at all, it must be for the benefit of the insured in reducing the cost of insurance, as well as for the benefit of the stockholders. Of course, as nothing returns to the policy-holder in the way of surplus or dividend, he can only be benefited by the reduction of the premiums. If the state requires of this sort of company a reserve higher than is absolutely necessary, though it may not preclude ultimate profit, it will oblige the company either to raise its premiums, or forego dividends to stock longer than the stockholders may be willing to wait.

If six per cent. may be relied on as obtainable on safe investments, and the actual premiums have a margin of twenty per cent. over the net premiums at six per cent., there need be no apprehensions of the insolvency of the company when it shows available assets equal to the net premium reserve at six per cent. And to the *policy-holders* it is of no consequence whether this premium reserve comes from their own past premiums, or the capital stock put in place of it. The net valuation, in case the actual premiums exceed the net, has the advantage of not anticipating the margins of the premiums, and if the assets equal the net reserve, then the whole of the margins are shown to be in reserve for future expenses and contingencies. Hence, knowing the actual premiums of a company, and knowing them to have ample margins above the net ones, a net valuation, though it is no test whatever of solvency, does furnish all the information we need as to standing and progress. It, in fact, prescribes an analysis of the business of a life insurance company into two distinct parts, and makes it possible to carry it on, whether upon the stock or the mutual principle, with strict equity between persistent and receding policy holders. To illustrate this I have prepared two tables, at two different rates of interest, which show what becomes of the successive premiums till the policy terminates. One of these tables I put in type. I was detained by other business so that I could not get both of them in type, but have had a clerk interline the 6 per cent valuation at intervals of five years with the 4 per cent valuation. I have some of these tables here, and if the convention sees fit to exercise a little patience upon them I will put some of them in their hands, and illustrate what I mean by the analysis just spoken of.

[Mr. Wright, after distributing the tables, continued:]

I would say, gentlemen, that my chief interest in a net valuation, and what I value it for more than anything else, is that it does make it possible for a life insurance company to deal equitably with its retiring members. Now, in all our programmes you will find this statement to the policyholder or to the applicant that, in case it becomes necessary

for the party to leave the company, an equitable surrender value will be given. There is nothing in the policy itself of that nature. By the terms of the policy itself all the premiums that have been paid—in case of the failure to pay a premium when it becomes due—are the property of the company. This goes back to the original system, and is the system which is now adhered to abroad. But the moment you apply a net valuation to the company it becomes possible to deal equitably with the retiring members, that is to say, to allow them to go out and make only so much out of their going out as will keep the company reasonably whole.

I have, with some care, studied what has been written on the other side of the water by the British Institute of Actuaries, a very learned and capable body of men. I won't say that they are owned "body and soul" by the life insurance companies of Great Britain, but I do say that they are not owned by the public outside of the life insurance companies. [Laughter.] They have never treated very seriously on this subject of equitable surrender value. They have thrown out theories of one sort and another, all of which may be easily shown to be absurd when they are applied to particular cases that constantly arise. However well they might suit some cases, there are other cases which they do not suit at all.

Now the net valuation applied to premiums that are abundantly sufficient, causes a very great security to the company against an increase of mortality or deterioration of lives, and also has this property that it allows the company to deal equitably by those who retire.

I wish to call your attention very particularly by this table to the analysis which the net valuation necessarily effects when enforced by law, between the savings bank part of the business and the insurance part of the business.

I take, for example, two policies, one an ordinary life policy payable at death, and which we treat as an endowment payable at death or 100, and a ten-year endowment. In our calculation we cannot admit of any indeterminateness as to the termination of the risk; therefore we assume 100 in Massachusetts or 96 as the limit in New York. The actual annual premium of this whole life policy entered at 35 is \$26.38. If you proceed by a net valuation by the actuaries' mortality at four per cent, you would have \$19.87 as the net premium, and the excess is the margin.

In column one I have placed this margin of \$6.51. If I had taken a premium at six per cent, which is \$20.41, the net of that would have been \$16.49, and the margin would have been \$3.96 all the way through the policy. Of the net premium that part which goes to pay the claim is in the second and third columns. At first nothing is derived from interest on the other part of the premium. The normal cost of insurance on the policy at four per cent is \$8.83 the first year; at six per cent it is \$8.69.

The fourth column is the amount of risk carried by the company. The first year at thirty-five it is \$991.74 on \$1,000 at six per cent, and \$988.52 at four per cent.

The fifth column is the present value of the quantities in the second and third columns, assuming the actuaries' mortality and the interest to be either four per cent or six. The present value will show you what the policy will contribute to death claims on other policies. If you will go on to column seven, there is what the law requires you to reserve—to have on hand at the end of the year. Of course, you have to deposit, in order to have \$11.48 at the end of the year, \$11.04 of the premium at the beginning of the year. And, if it is at six per cent, you deposit of the net premium \$7.80, which becomes \$8.26 at the end of the year.

Now, this column of net values at the end of the policy year is that which can never be used by the company to pay claims on other policies.

It is kept as a trust fund against the time that the policy itself matures. That is the significance of the net valuation that a certain portion of the net premium is held in trust for the policy itself, and can never be touched. It could be borrowed if it were necessary, but the company that was under the necessity of borrowing from that fund, might as well be closed to new business till the debt is paid. That necessity, at least until a company is in its dotage—until it is pretty nearly a hundred years old—could not be supposed to exist, as I shall show you presently.

Now, by confining your attention to these two columns of the normal cost of insurance, two and three, and running down the page, you will see that at the age of sixty-four, at four per cent, the normal cost of insuring takes the whole of the net premium, \$19.87, and derives thirty-six cents elsewhere, that is, from the interest on the reserve. After that age is reached, and the reserve at the end of the year has become \$466.36, 4 per cent yields more interest than is necessary to keep it up, so that thirty-six cents can then be used to pay the death claim. The next year, \$1.20 is derived from this fund—this is excess of the interest. That is to say, the accumulation then goes on more slowly, and the interest contributes to aid the net premium in paying the increased cost of carrying the risk. The risk itself has decreased very much; the cost, however, has so much increased that it requires the whole of the net premium and a certain portion of the interest, never a cent of the principal, but a certain portion of the interest to help out the payment of death claims.

Let me call your attention to a very important thing—more important than anything I have yet said—in regard to a valuation being made at a low rate of interest. If you look at the age of 75 and six per cent, the reserve is \$598.15, and that will yield \$18.27 to help the company to carry the risk through the year; but no more than that. Now the \$655 which is in reserve at 4 per cent interest had \$10.42 to help carry the risk. Supposing that the investment yields 6 per cent, it will also give about \$13 extra, besides keeping up the reserve; so that by 13 added to 30, you have the resource increased for the mortality of that particular year. That is to say, a 4 per cent valuation will carry you safely through, if the mortality of that year is increased in the ratio of 43 to 30. Whereas, if you reserve only at 6 per cent, you have nothing at all except the normal cost. The normal cost of carrying \$385.50 is \$16.49 + \$18.27; so that your 6 per cent reserve affords you no resource for any decrease of vitality in the company. A 4 per cent reserve gives you an increased resource—an entirely additional resource—in the old age of the company. This resource, of course, if the vitality has not diminished, will be used for dividends, which may be larger on the old policies; but the company does not guarantee the dividend. It has, therefore, a resource in this extra amount for the depreciation of the vitality, and in a mutual company that is very important; and it is especially important, if you are to deal equitably with your retiring members.

If you will refer to column five, you will find a sum opposite each age which expresses the reciprocal interest of the company, as an insurance company, in the persistence of the policy. See at the age of 60. The insurance value is \$241.94—that is the present value of all the normal costs of the risks that a company will receive; it also represents the value of the company to the member, for these are reciprocal interests. Now, if both parties wanted to recede from the contract, they would recede without any consideration on either side—these two mutual interests would be exchanged, given up; but if only one party wishes to recede—and that is nearly always the individual, for it is the company's interest to insure unless it be a bad life—it is, therefore, always the individual member who wishes to recede from the contract, and he ought to pay a consideration. But what should this consideration be? It should not be necessarily the whole interest that the company has in

him, because he has a claim against the company that is theoretically equal. Yet, if this is an average life, it is valuable to the company, not simply for the amount of what it will pay, but as a basis of insurance.

A company cannot exist without a large number of policyholders. With every one it loses, it loses a certain value besides what it will get out of him in the future. Therefore, what it wants is to make the member's place good. The policyholder they have cannot be released unless he will make the company whole as to its basis. He must get as much insurance value in as he takes out. It is not necessary that he should get as much savings bank value or deposit in as he takes out, for the latter is of no service to the remaining members, but was only to be used on his own claim when it should occur.

My position on this subject is, that supposing the life to be as good as the average, and I think as a matter of fact that lives selected out by themselves are not generally better than those selected in by the company, the member ought to pay the company twice the amount that it costs it to get the same amount of business of the same insurance basis or value.

I will not weary your patience on this subject. I think it is an exceedingly important one which should be considered and properly settled, and that the best talent of the country should be turned to it to determine what is a proper, equitable surrender charge. When we have found that charge, and that charge is paid out of the reserve or savings bank deposit, the balance should always be returned to the member either in cash or his note, if he does not desire further insurance.

I will call your attention to the exemplification of the present rule of surrender value. For I think that this is working, already for us, a great deal of detriment at the present time, and is likely to work very much more, that is to say, to make it more and more difficult to get new business, because men go out feeling that they have been somewhat wronged, at any rate, entrapped.

If you will turn to the age of sixty-five you will see in column five, on the four per cent value, the insurance value is \$237.22; that is the value at four per cent, and it would have been less at six per cent, of all that the company will get in cash, if the normal mortality is experienced. It is all that it can expect. It is the whole interest. The party has, at the same time, \$484.64 in cash as his deposit in the savings bank. Now if the company charges, as it often does, one half of that for surrender, it charges \$242.32, which is a little more than the man would pay if he stayed in. That, evidently, is too much. Now if you go down to the age of eighty you will find the insurance value reduced to \$172; the deposit in the company is \$728.15. When the company charges half that (and the English companies do on such old policies), you have \$364 for surrender, which is more than double what the party will pay if he stays in until the policy terminates. If you look at the endowment policy you will see the thing is still more atrociously out of the way, for on the fourth year before the close of an endowment policy the party might be made to pay three or four hundred per cent what he would pay if he remained and was sure not to die.

Now, this ordinary surrender value is so absurd that it cannot be submitted to business men. In my own experience as a consulting actuary, cases come to me of differences between parties and some very responsible companies. Gentlemen have policies which they cease to need to support. They want to realize what is their due—nothing more, and nothing less, if possible. They are astonished at the company's charge. They are referred to me. I cannot justify the company. I am obliged to say that we have borrowed from Great Britain a practice which goes in the face and eyes of all our received business principles, which is actually absurd, and which could not be insisted upon by anything but a gambler's

bank. We are not to blame for it. We borrowed it just as we found it, and we have gone on upon it until, by the accumulation of the endowment policies and the increase of age in old policies, the thing has got to be so absurd that if I meet an intelligent merchant, I have to hang my head in his presence. I cannot explain it to him. He turns around and says, "Why do you endorse companies who do such a thing as that?" Now I have acted in all good faith with the companies. About two years ago I published, in a crude form, these same views. I have been since working upon them, and when I got them to such a position that I felt I could give the companies exactly the insurance value of every policy they held, I then appealed to them to unite in convention and settle the question on equitable principles. I do not care whether they are my principles or anybody else's, but, such principles as will enable me to continue in the business and, meeting intelligent business men, hold my head up before them if I explain to them the dealing of the company in their particular case.

I beg to return my sincere thanks for the kind attention that has been paid. I am quite aware that I have not made this subject very intelligible, but I shall be very happy to answer any questions which may be put to me, and assist gentlemen in getting out of any difficulty.

Mr. NOYES—Mr. President, as it was intimated that Mr. Wright desired to leave town, although our meeting has continued longer than we had expected, I would like to ask him one question: Whether or not in the matter of certain policies, a cause of great anxiety to all in our business, as well as to holders of policies, whether he, in his own mind, can fix the percentage or a principle which shall apply to all companies; whether or not in the surrender of a policy you have to take into account so many things as to prevent a general rule of application. For instance, one man is in an unsound condition; of course, there may be circumstances which will justify the selling of his policy. Another man may be so wealthy that he does not wish to continue it any longer. Is there any public standard, or any standard, which he might reduce to a principle in these exceptional cases. The debtor with the company itself would not have to enter into the computation for the surrender of each individual policy of itself.

Mr. WRIGHT—I apprehend that the company can only deal with lives as average lives. When we take members into a company we divide all applicants into two classes, practically—the insurable and the uninsurable. The uninsurable we reject; the insurable we take as average lives; otherwise we could apply no mathematical principle of computation to them. Now it is very true that a life applying to go out may be better than the average. I will say that the probability of his dying in a year, will be only half the average. Now, suppose he has been in 20 years. During all that time he has been a life above the average, and he has paid towards claims, all the while, twice as much as his own risk. Every man is supposed to pay to the death claims—according to his own risk of dying. But that only would be true if lives were average lives, but lives differ exceedingly. We may well suppose that the probability of one member dying is one-half that of the average, because he is altogether so sound in constitution, and he takes such good care of his life. Well, notwithstanding that, he has, during all the twenty years he has been in the company, paid just twice as much as what it cost him. Now that cannot be a reason why you should charge him more when he goes out, if it has anything to do with the subject. I take it that what he has paid has nothing to do with what he is to pay when he goes out—that this is to be based on the calculation of what he has to pay in the future. I confess it is not possible with me—I do not know how it is with others—to make a mathematical calculation on a single life

I might assume a rate, but it would be a pure assumption, and I would have to consult the doctor before I could make any figures on that subject. But it is not unwise to suppose that those who go out, on the average, will be no better than those that come in through selection. I take for granted two things: First, that the necessity for insurance will never cease, that new members are always to be had either spontaneously or by solicitation; second, that those who select themselves out, are liable to be mistaken, as the doctors are in selecting them in, and that bad lives as well as good lives will go out, and pay the certain charge and take the certain value, and that, on the whole, there will be about the average. Now we have no statistics in regard to receding members, but we have a great many observations, and men of experience generally agree that a man in going out is as likely to make a mistake in regard to his vitality as otherwise. I myself remember men who sold their policies at auction, that I thought had one foot in the grave, and the other on the crumbling verge of it, but who were anxious to sell their policies for one-half or one-third of the reserve. Now this is a matter of fact. I attended those auctions at the Royal Exchange, in London, more or less weekly for several months, and took minutes of them. Seldom did I see a man in firm health wishing to sell his policy.

I have often conversed with men of experience in life insurance, both executive officers and actuaries, and the uniform testimony has been to me that the lapsed policies could not be better lives than the average, that is, they had not been. Now, why should we expect that they will be. Take the present condition of things. At present, no man knows what he will get on going out, but he does know this fact—that the longer he stays in the more it will cost him to get out. On the other hand, suppose that this principle of savings bank, surrender value, is established, you can put a notice, if you please, on every policy, and the man always knows, then, that the longer he stays in the less it will cost him, to get out, and the more of his own money he will save. That is the reason why every man will stay in as long as he continues to need insurance.

Here is a savings bank, the rules of which are well understood. The expenses of the management are not extravagant. A savings bank is an institution that can exist, and does exist, though a man has a right to withdraw, at any time, nearly the whole of his fund. He may lose a little interest if not taken out at a particular time. A savings bank is always in jeopardy of a run, and yet it exists and continues to have millions and millions on deposit year after year. Now, if a savings bank should add the insurance business to its other business, on the very principles I have explained, would not the savings bank part be just as sure to exist with this added? It seems to me, on business principles, that the permanence of a fairly organized savings bank, plus an insurance company, is just as safe as the bank itself, that is if it is managed on fair insurance principles, so that it seems to me that the arguments against fixing surrender value on net valuation are theoretical. I concur fully that on certain hypotheses that we can make, it could not be done, and a company could not meet such surrender value, but in practice it appears to me that it can, and that these extreme hypotheses never could be facts; they are merely theoretical. The experiment has been made, I won't say that it has failed, to treat every man according to his individual risk of dying, to be tested by the doctor or by the genealogical table; but that is an experiment in which I have not any faith because I have not seen any results.

Mr. Row—It strikes me that the only feasible thing we can do now is to work in our committees. That is the first and most important thing to do. And, to further that, I would move that we now adjourn, and that the several chairmen of the different committees make their appointments at as early an hour as practicable for their committees to meet and get in active operation.

The convention then adjourned until 11 A. M. Saturday.

FOURTH DAY.

New-YORK, May 27, 1871.

The convention met, pursuant to adjournment, at 11 o'clock A. M., Superintendent Miller, the President, in the chair.

On motion of Mr. BRINKERHOFF, the reading of the minutes of yesterday's proceedings was dispensed with.

Mr. BRINKERHOFF offered the following resolution:

Resolved, That the Presidents of the National Board of Underwriters, and the Board of Underwriters of New York City, be, and they are hereby, respectfully requested to address this convention, this morning, upon the several points affecting the fire and marine insurance interests of the country.

Carried.

ADDRESS OF H. A. OAKLEY, PRESIDENT OF THE NATIONAL BOARD OF UNDERWRITERS.

Mr. H. A. OAKLEY, President of the National Board of Underwriters, was then introduced, and addressed the convention as follows:

Mr. President and Gentlemen.—I feel somewhat at a loss, in appearing before the convention, in response to your courteous invitation, to know upon what particular subject to address you, as those who have preceded me, especially the representatives of the fire interest, have so fully covered almost every point of interest to fire underwriters, that I find my remarks must be confined to a very limited field.

At the meeting of the National Board, in April last, in this city, I had the honor of delivering an address before them which contained within it statistical tables of very great value, in regard to the results of the fire insurance business. This address has not been circulated extensively as yet, owing to the delay in having it printed. I merely desire, in the few remarks which I have to submit, to call the attention of the convention to the very peculiar results of fire insurance, covered by the period of the twelve years during which the New-York state department has been in operation. This is the only available source from which it has been possible to gather correct statistics, there being no perfect tables except those kept by the New-York department, during that period.

The tables to which I refer were divided into two parts—first, statistics relative to the insurance companies of the state of New-York, and then to the insurance companies of other states, including the insurance companies of foreign governments. The first table showing the amount of capital which had been employed in the business and the dividends declared, as well as the percentage of dividends on capital. We find the result of that table to be as follows:

The aggregate amount of capital employed in the business of insurance during the twelve years was \$483,938,761; the aggregate amount of dividends \$52,926,024.95 or 10.93 per cent. for all the states, 9.90 per cent. for the state of New-York, and 12.80 per cent. for all the other states.

And I would remark in reference to this that the difference between the percentage of dividends between the companies of New-York state and the companies of other states, arises mainly from the restrictive law which exists in this state with reference to the amount that can be divided. As has been said in one of the papers read before you, no New-York company, unless it has a reserve of its entire running premiums, can divide exceeding ten per cent. per annum on its capital. A very wise law.

The second table shows the amount of fire premiums received, amount of fire losses paid and the percentage of fire losses to premiums. The fire companies of New-York show, during twelve years, an aggregate of \$168,437,257.32, in premiums; of losses paid, \$94,849,497.04, or a percentage of 56.31. Insurance companies of other states show an aggregate of premiums received of \$122,000,307.83, and of losses paid, \$73,829,416.22, or a percentage of losses to premiums of 60.51, the advantage being in favor of New-York state companies for that period. The aggregate shows the entire amount of fire premiums received to be \$290,437,565.15; losses paid, \$168,678,913.26, or an average of 58.07 per cent., a little in excess of the average of New-York state companies.

The third table which I presented was a table showing the net cash premiums received, including the inland premiums and the expenses of conducting the business. In this table you will notice the fact that it has been found that the percentage of losses to premiums in inland insurance is very far in excess of what the percentage of premiums to losses has been in fire insurance.

The cost of conducting the business averages 34.99 for the companies of New-York state, for other states 27.06, while the aggregate numbers 30.92.

The amount received on inland risks during the twelve years was \$46,050,991.07; the losses for the same period were \$36,660,510.50, or 79.63-100 per cent of the receipts. So that, if we add the expense of conducting the business, by the companies' reports to the state department of New-York, which was nearly 31.1, we find that that branch of the business actually resulted in a loss of between ten and eleven per cent.

The fourth table to which I would call your attention—and as these tables are all printed, I will only call attention to certain figures—contains the fire risks written; fire premiums received; fire losses paid; percentage of fire losses to premiums; percentage of fire losses to fire risks written; amount of risks written to \$1.00 loss, and the average rate of premium on fire risks.

There is one fact I would like to refer to in connection with the National Board. There has been a great deal said in regard to the National Board, but I do not propose to stand up in a convention of this kind as its defender. I merely wish to make this remark in reference to it, and that is, that without the National Board (as the gentlemen will see by a reference to the tables to which I have referred), there would not have been two-thirds of the companies now in existence possessing the ability to continue to do fire business. Without taking into consideration any of the other benefits which that board conferred upon the profession of insurance, I would merely call attention to this one fact, that the necessary advance of rates which the organization of the National Board produced, enabled at least one-third of the insurance capital of the country to be preserved, thereby saving large numbers of stockholders and innocent persons from heavy loss.

With reference to these tables I would only make one other remark. One of them shows what is the true ability of the companies to write risks, and this is

the fairest test to apply to an insurance company, to be enabled to judge of the correctness of its statements. I find that the ability of the companies to write in 1860, at the time that the New-York state department was inaugurated, was \$231.27 for every dollar of loss, which, in 1866, after a period of great disasters, fell to \$164.34. This was advanced, after the organization of the National Board, to \$223.13. But in 1870, after the National Board had ceased to exercise any control over the rates of premiums, it had fallen to \$199.99, very far below the average of the eleven years, which was \$214.64. The result of the present year's business, so far as we have been able to ascertain (which, of course, is no criterion), goes to show that its average will even be reduced below that of 1870.

There is appended to this address a further series of tables showing the average of receipts under the old order of things for four years, before the formation of the National Board and for four years subsequent to it, and for the year following that in which it ceased to operate. These tables I think the gentlemen of the convention will find full of pregnant suggestions, and they will probably give them a clue to a great many of the irregularities which have existed in various companies which they have been called upon to examine.

I will not take up your time any further, gentlemen, except to allude to one subject, and that is the matter of re-insurance, as forming a very important part of the correctness of statements rendered by companies to the various departments. It has been the habit in the company with which I am connected, which is a very old company, and of nearly fifty years standing, to keep complete sets of books, by which we have been able to adjust accurately—I might say almost to a dollar—the actual liability of the company for its outstanding policies, from day to day and from year to year. These books have been tested by actual calculation of every premium outstanding (a work of great labor), but which we have done for our own satisfaction from time to time, to be sure that our tables as prepared were operating correctly. We have found that the result of these calculations is an average of 48 per cent. upon our entire business—and here I would say that our business is not a large agency business, but a moderate one; showing that the standard taken and adopted by the New-York department during the last year, is about as near correct as we can hope to arrive at, unless we go into actual calculations. And my suggestion to this convention in regard to the matter of re-insurance would be simply the adoption of that plan; that is to say, fifty per cent. of the entire outstanding premiums upon policies having one year or less to run, and a *pro rata* of all premiums on all policies having more than one year to run. I am not aware that any other standard can be devised, which can approach nearer to a correct standard amongst companies than this.

There is another suggestion, and that is, that companies should be obliged—and this should be one of the questions to be answered appended to blanks—to keep books of expiration. I am well aware, from my position as president of the local board for two years, and president of the National Board for a year past, that there is a great defect among insurance companies in the matter of keeping accounts. Whether it results from ignorance or design, I am not prepared to say. But I am satisfied that not more than one-half of the companies doing the business of insurance are in the habit of keeping what is commonly known as termination or expiration-registers, by which, at a glance, they can tell the amount of liability outstanding from month to month or year to year. This is one of the reforms which want to be instituted, and if this convention, by requirement, can bring it about, it would be doing more toward fixing the business on a proper basis for examinations to be made by superintendents than any other suggestion that could be made. Thanking you, gentlemen, for your kind attention, I beg to apologise for the desultory character of these remarks, as your unexpected call upon me found me entirely without preparation.

Mr. PAINE—Mr. President, for one I should like some *expose* on the subject of marine re-insurance. Any gentleman who represents the marine business, and who would give us light on that subject, I, for one, would be very happy to hear. I merely make the suggestion.

The PRESIDENT inquired if Judge Savage was in the room.
A DELEGATE said he was here half an hour ago, but was not now present.

OFFICIAL CERTIFICATION OF ASSETS.

Mr. WAILLE—I desire to offer the following preamble and resolution, and if it meets with the pleasure of the convention, I trust a reference will be made to the committees specified therein:

Whereas, It is right and proper that insurance companies, incorporated by the laws of one state, and doing business in another state, should present to each state an exact copy of the financial statement by them presented to the insurance officer of the state under which they hold their charter; and

Whereas, The insurance commissioner, or other proper officer, in each state, in charge of the insurance business of such state, should be considered the better judge of the securities or investments constituting the assets of such company; therefore, be it

Resolved, That the committee on blanks be requested to give this subject their consideration, and, if in their judgment it be found practicable to embody in the blank forms to be submitted by them, a form of certificate under the hand and seal of the commissioner, or other officer in charge of insurance in the state under the laws of which they hold their charter, certifying that the said report is a proper and correct financial condition of said company."

The resolution was referred to the committee on blanks.

THE QUESTION OF ADJOURNMENT.

Mr. PILLSBURY—I desire to offer the following resolutions for the consideration of the convention, but not with any idea of provoking discussion:

Resolved, 1. That the several committees to whom definite subjects have been referred, be requested to report to this convention on Monday next.

Resolved, 2. That Wednesday, the 31st inst., be regarded as the day for the adjournment of this convention."

Mr. President, I suppose it is generally understood that legislative bodies accomplish but little in closing up business, until some definite action of this character is had. It is a very general practice, so far as my observation has extended. Without intending to censure any committee further than my own, it has seemed to me that there has not been given to the subjects quite the attention that might reasonably have been expected. I came here myself for the purpose of gaining what information I could—for work, rather than to visit and view the beauties of this wonderful metropolis, of which, of course, the citizens of the whole country have good reason to be proud. I say I came here for work. I represent a small state, and, of course, am very careful not to say or do anything which would be offensive to other gentlemen. For it was my policy, when a boy, to be on good terms with the larger boys in the school. [Laughter.] But perhaps it is unfortunate that I am associated on a committee whose chairman, deservedly popular, has a great many friends and acquaintances in the city, and we find it very difficult to get together for consultation, for the reason that he is constantly interrupted by friends. I was not able to leave a set of clerks in my office to look after my business, and do not feel at liberty to be from home longer than the time designated.

Mr. ATCHISON—I have no doubt that several of the committees are ready to report, and I think we have heard a great deal on these subjects in all these various departments; a great deal of good has been suggested, and I have no doubt that when the committees report they will pour an additional flood of light on all the subjects. Perhaps to-day it would be very profitable to spend several hours in listening to and disposing of the various reports of the committees. I therefore move for a call of the committees.

The PRESIDENT—There is a motion before the convention.

Mr. SMITH—I have been very politely arraigned before the convention and I suppose I have a right to defend myself. It is true I have many friends in this city, but notwithstanding the gentleman's remark, I have not yet had an opportunity of visiting my nearest and best friends who reside near our hotel. I am very sorry that this kind of talk has occurred. It does not advance our

object. I think we would gain time and have a better chance to determine practically the work that is before us, by having an adjourned meeting of this convention at our parlor in the hotel, there to receive the reports of the committees, and then adjourn over to act upon them. I would have a great deal to say, no doubt, in reference to the reports on the different subjects which I would prefer to say there and not in open convention before six reporters. [Laughter.] I, therefore, move that when this convention adjourns, it adjourns to meet at our parlor, in the Fifth Avenue Hotel, for the purpose of discussing quietly, considering and acting upon the reports of these committees.

Mr. CALDWELL—I do not exactly agree with the gentleman from New Hampshire. I do not think it wise on our part to crowd the business of this convention, without giving it a most thorough consideration. We are all, I presume, as anxious as he is to get through and return home. But to do our work in a half way manner would not be accomplishing the object that called us together. I favor the plan suggested by the gentleman from Kentucky (Mr. Smith), that we meet at our parlor and there do our little petty quarreling over our differences and, as far as possible, harmonize our ideas upon the various subjects that we have under consideration. I move, as an amendment to the resolution, that when we adjourn to-day, it will be to meet at four o'clock, at room 52, Fifth Avenue Hotel.

The PRESIDENT—It is hardly an amendment to the resolution. There are two resolutions offered by the gentleman from New Hampshire (Mr. Pillsbury). One, that the committee be required to report on Monday next, and the other that the day of adjournment be fixed for next Wednesday.

Mr. CALDWELL—I withdraw my motion, and I now move that the resolution of the gentleman from New Hampshire (Mr. Pillsbury) lie upon the table.

The question was put on the motion to lie on the table, and lost.

Mr. W. E. HARVEY—I would like to suggest that several gentlemen have been invited to be present before the committee on valuation on Monday evening next. If you require a report from that committee on Monday morning, you are getting ahead of the information we want to get before the committee.

Mr. KELSEY—Mr. President, I understand the motion to lay the resolution on the table is lost.

The PRESIDENT—Yes, sir.

Mr. KELSEY—I should move, then, that the two resolutions be considered separately. As to the reports of committees, if the convention requires us to report on Monday, we shall do so; but we shall not be ready without extraordinary effort and greater haste in considering the subjects before us than would be proper. As to the question of adjournment, I have never known legislative bodies to fix a time without serious derangement resulting, and a bad effect on public business. It ought not, I think, require any great amount of talk to convince any one that to fix a time now for the adjournment of this convention would be a very imprudent thing to do. I am sure the committee on blanks, of which I am the chairman, cannot be ready to make a report at the time specified.

[Mr. Breese in the chair.]

Mr. MILLER—I do not regret at all that these resolutions have been introduced. I think it is well enough to hurry up the committees. But I am rather apprehensive that the honorable gentleman from New Hampshire (Mr. Pillsbury) has created a wrong impression with regard to the labor which has already been performed on the different subjects by the respective committees. For my own part, I have no knowledge that the convention has as yet visited, or been present, at any amusement of any kind. So far as my observation has extended, they have been assiduously attending to their labors during the hours of the evening, and until late hours of the morning, ever since they have been here. It is impossible, gentlemen, for us in committee, or in convention, to master these subjects and be prepared to present at once reports fraught with such consequence and full of such importance to the public interests which we represent. Indeed, if we accomplish in a week what we seek to accomplish, we may go home well satisfied that we have spent the most profitable week we ever spent for the interests of those we represent. I feel that I am not wasting time. I feel, gentlemen, that this convention is

intended to effect something; that we have a perfect right, and that it is our duty, as gentlemen having control over ourselves, to do our work first, but not necessarily devoting every moment of time to it. We must necessarily have a little relaxation, and it is entirely proper that, coming to this city or going to any other city, we should occasionally, for an hour or two, take a little diversion and see what is going on in the world about us. I hope, gentlemen, that our friends from all quarters—from the east and the west, the north and the south—will be a little patient, so that the committee will have time to arrange their own thoughts. This is the great work of the convention which is being done in their committee. It is not in the public sessions here assembled that the work of arranging blanks can be done. It is not here in convention that the work of determining what shall be the basis of valuation of life and fire and marine policies. No, gentlemen, these are subjects which must be minutely, patiently, and deliberately considered in committee, and a careful report must be made upon them in language which admits of no double interpretation—admits of no doubt as to its construction. These are nice subjects. They are subjects which have been considered for years by different men of great ability in this country, and we are here gathered together, not to originate something new altogether, but to reduce the experience of past years to a more perfect system, and, if possible, to give to the insurance world and the general commercial community interested in insuring, a more perfect general system, a more harmonious action on the part of the legislatures and the departments of the various states. To do that—if the convention stays here and accomplishes the work—will give it a credit which will warrant its members in devoting not only a week, but a month of steady time to its accomplishment.

The question was then put on laying the resolutions of Mr. Pillsbury on the table, and carried.

LEGISLATION AGAINST "CO-OPERATIVE" LIFE INSURANCE COMPANIES.

Mr. A. F. HARVEY—There is one kind of life insurance societies I do not like, and there is nothing very efficient in the laws of the several states toward killing that sort. I want to offer a resolution, to be referred to the committee on valuations, and if, in their opinion, it is worth being considered by this convention, afterwards to have it brought up again:

Resolved, That this convention recommend to the legislatures of the several states, the adoption of provisions of law, similar in effect to the following—

1. That no person or company shall be permitted to issue policies upon the lives of citizens of the state, unless upon a specific premium, of which, so much as will cover the cost of insurance due for the current year, according to the state standard of interest and mortality, shall be collectable by cash in advance.

2. That no company shall be permitted to issue policies on lives within the state, unless its table of rates shall be certified to as sufficient for the completion of the policy contract proposed; such certificate to be made by an actuary, to be designated by the superintendent of insurance of the state in which the company is organized, and the verification of such tables of rates shall be made upon the same assumptions of mortality and interest as were used by the company in its original computations.

That is for the purpose of compelling a company, when it makes a statement in any publication, to advertise also, that it has the authority of the state for saying that its rates are sufficient to prevent agents from using tables of rates of companies that they know nothing whatever about. I hope the resolution will be referred to the committee on valuation.

Mr. PAINE—I wish to say one word. If the gentleman means co-operative companies, and is going to fire at them under cover, I prefer he

take off the cover and show himself. My opinion is that this convention ought to pass judgment on that very subject—co-operative insurance. Let the world know what we think of it. I hope the gentleman will amend his resolution so as to place that thing directly under its own name, so that we may express our opinions on that subject in this convention.

Mr. W. E. HARVEY—The objection to our use of the word "co-operative" would be that a company desiring to issue that kind of a contract would call it by some other name. There is one company, started in Cincinnati, called the "Mutual Inheritance Fund;" another one is called the "Mutual Guarantee Fund." [Laughter.]

Mr. PAINE—If there is a general name to apply to the fund, I think it would be a great deal better to call it "co-operative."

The resolution was referred to the committee on valuations.

Mr. MILLER—I would suggest, Mr. President, that Judge Savage is present and I presume is ready, in compliance with the resolution adopted on the opening of the convention, to present his views.

Mr. SKEELS said—Before Judge Savage begins, I am requested to state to the convention, that the managers of the foreign insurance companies desire to present a communication to this body, and will be ready to do so sometime this afternoon or on Monday morning. If the convention sees fit to designate the time when they may do so, it will oblige them exceedingly. I would move that the convention hear the communication on Monday morning, at 11 o'clock.

The motion was carried.

ADDRESS OF GEO. W. SAVAGE, PRESIDENT OF THE NEW-YORK BOARD OF FIRE UNDERWRITERS.

GEO. W. SAVAGE, President of the New-York Board of Fire Underwriters, was then introduced to the convention, and spoke as follows:

Mr. President and Gentlemen of the Convention:—I could not decline your courteous invitation to make some remarks on the present occasion, although I regret that I did not have an opportunity to prepare myself as befits the occasion, and the importance of the subjects which you are called here to consider. As an insurance man and an underwriter of over thirty years' standing, I ought to have something to say in reference to the business of fire underwriting, which is the branch to which I have devoted the best years of my life, and my long connection with this business has deeply imbued me with its dignity and importance. Perhaps I may have exaggerated notions on that subject, as men are apt to have on subjects which are almost their sole study. But whether my notions are exaggerated or not, I think everybody will confess that the business of fire insurance with which I am connected is a highly important one. It has been my solace, it has been my comfort, during seasons of great despondency and trouble incident to this business, to know that I was engaged in a good work, the work of promoting the welfare of my fellow men; and I believe that there is not a more beneficent institution in the world than a fire insurance company. Now I know you are not prepared to accede to that proposition in the full extent of my statement, but I do think there are men in this community who, if you could give them time to prepare an argument, would go very near a demonstration of its truth. In my readings I have come across the expressions of some of the greatest minds that our parent country, England, ever produced. I refer to such men as Lord Mansfield and Baron Park, early writers on the subject of insurance, who gave it much thought, and conferred a great benefit on humanity by laying down the rules which should govern insurance upon broad and deep foundations. And I have often thought that the beneficial effects of insurance were better understood two hundred years ago than now. We have become so accustomed to them that we fail to recognize them fully. If we were deprived of them for a period we would think more of them. If we were deprived of window-panes we would begin to appreciate the man who introduced them into our house—but now they are little thought of. And just so it is in regard to insurance; we

are daily blessed by it, and yet we seldom give it a thought. Allow me to quote here what I have often quoted before, from an old English work, which says that the advantages of insurance were appreciated at an early day, as appears by the preamble of an act of parliament passed in the reign of Queen Elizabeth or Queen Anne—I forget which—incorporating a fire assurance company in the city of London. The preamble of the act says: "That whereas, by policies of assurance it cometh to pass upon the loss or perishing of any ship, there followeth not the undoing of any man, but the loss rather cometh lightly upon many than heavily upon a few, and rather upon those that adventure not than upon those that do adventure, whereby our merchants are lured to adventure more willingly and more freely." There, in that preamble, is the whole point of insurance. I think there are two things which have done more to develope civilization and to build up countries and towns and cities than any other two things in the world; and these are, the discovery of the mariner's compass and the system of insurance. I can hardly think that this country would ever have been settled, in the sense we understand settlement, if it had not been for the protection given by insurance. But the subject is too vast, and I have not sufficiently considered it to present it to you with such compactness and force as it deserves, as must therefore give it the go by, except to allude to this fact, that fire insurance is especially of advantage to this country. Would Chicago ever have been built if it had not been for the protection given by fire insurance? Who would invest one or two hundred thousand dollars in a building, and fill it with merchandise, if there were no insurance? Could another state be settled and admitted into this union if the system of insurance were put an end to? Who would build an elevator, or a mill, or any of those structures which have become absolutely necessary to our civilization, if they could not be protected against loss by fire? I think I am justified, in some degree at least, for my respect for the business in which I am engaged, and the views I entertain of its importance. In the first beginning of the system of insurance, it was done without the intervention of companies. There were no corporations, no associations of individuals as such. But there was agreement. When a ship went out to sail to the new world, or a building had to be covered, men wrote their names under certain amounts to secure it from loss, as John Smith, 250 pounds, William Brown, 500 pounds; they were ~~writers~~ writers, and hence the name. That practice was introduced into this country, but we soon found that for this country, it was necessary to have associated capital to carry it on. And I think there is a great advantage in this method, because we can know exactly the responsibility of a company and their ability to pay, and it would be very difficult to determine the responsibility of an individual. Besides which, even the wealthiest men in the community would not be very apt to enter largely into the business of fire insurance when the fortune of an Astor might be wiped out in a single night. Consequently, we must have corporations for these objects, and we claim that we are doing our full share towards the building up of this country and its advancement and prosperity. We are met, however, on the part of the legislatures of many of the states with acts indicating that insurance companies do not confer any great advantages upon the community; that they should be restricted and hampered, and taxed heavily. My view of that is, that if for any reason insurance companies are not to be treated as other capitalists are, if they are not to have the same rights, then they ought to be suppressed altogether. And I wish that one state would go a little further than any state has yet done, and shut out insurance companies altogether. What would be the result of that? It would be found, in the first place, that the mercantile business of that state would be very much affected. The merchants would find those from whom they wanted to buy saying to them: "We are willing to trust you, but we want to know if you are insured. We cannot trust without." And if a mill or other structure was to be built, capital would not invest in it if it could not be insured. There is a jealousy, and there is no use in disguising the fact, on the part of some of the states against the eastern companies, from the impression that we are deriving a large profit by this insurance

business, and drawing money from the other parts of the country to enrich the east, and New-York in particular. Let us look at that for a moment. I never found any state yet where that view pre-eminently prevailed but that state drew more money from the insurance companies of the east than they returned to it. Now you can better afford, many of you, gentlemen, to have us do your insurance for you, than to do it for yourselves. In 1849 and 1850 there was no insurance company in New York with a greater amount of capital than \$350,000, and the whole amount of local insurance capital in this state was not over \$10,000,000. Since that time New York has become the monied centre of this continent, and money has flowed in in such a degree that, you can, in Wall street, borrow on a temporary government security for 3 per cent, and any investment that promises 6 or 8 per cent is eagerly sought for. I have no doubt at all that an insurance company could be got up in New York in one week, with ten millions of capital, paid in, if it could be guaranteed 8 per cent dividends. Since New York has become this monied centre companies are formed here with a capital of \$500,000, and up to two and a-half millions. Now, why don't you have such insurance companies out west; simply, because you would withdraw money which would be used for your railroads and other improvements, and lock it up, receiving only about 8 per cent for it, while you can use the same money in developing your material resources, and receive, at least, 20 per cent. It is upon the very same principle that you prefer to buy tea from the Chinese, rather than raise it in Wisconsin. By and by, when you get to be rich, and have surplus capital, you can form companies as fast as you want; but till then you can insure cheaper upon eastern capital. Yet such is the prejudice that one of the western states has passed a law that a company before coming into the state has actually got to sign a bond, that it will not appeal any case to the Supreme Court of the United States.

A DELEGATE—You are mistaken.

Mr. SAVAGE—I am not mistaken, for I signed a bond of the state of Wisconsin myself, and I did so with the determination to test the legality of that law should occasion arise. As a citizen of the United States, I claim that Wisconsin has no right to deprive me from appealing to the courts of my country. Companies of the different states should be allowed to enter other states freely, and all should be left to compete with each other, as if we were in fact, as in name, one family. I do not think that any superintendent in the United States should be charged with the responsibility of the good character of every company that seeks admission into his state. The endorsement of the superintendent of the state in which the company is born ought to be sufficient. There is a broad and generous rule of reciprocity running through this position, that I think ought to be seriously considered. I thank you for the attention with which you have listened to me.

Mr. SAVAGE, after closing, rose again, to say that he had been requested to state that in Kentucky the *Ætna*, of Hartford, worked thirty-one years before she got ahead; that in Missouri for twenty years the state was on the debit side of the ledger of the company; and that plenty of other similar facts could be brought out. They exist in abundance.

RESOLUTIONS ON INVESTMENTS.

Mr. Row offered the following resolution:

Whereas, The laws of several states require insurance companies to make investment of funds only in the state where organized; and, whereas, such enactments tend to increase retaliatory and aggressive legislation;

Resolved, That such restrictions as to investments are unwise and unnecessary, and that freedom to make safe and profitable investments in any or all states be allowed.

The resolution was referred to the committee on assets and investments. Mr. PAINE, the chairman of the committee on assets and investments, presented the following report from that committee:

REPORT OF THE COMMITTEE ON ASSETS AND INVESTMENTS.

In defining the assets of insurance companies to be included in their annual reports to the insurance departments, there is no objection to the usual items of cash in office, in bank and on deposit with trust companies, United States, state and municipal bonds or securities, and bonds and stocks of banks and other corporations of an undoubted character, (except insurance companies), real estate in fee, loans on mortgages of real estate and on collaterals, care being taken in all such cases of security to have an ample margin of value over and above the sum loaned. The committee do not at this time propose to prescribe the absolute limitation of the several items named, further than to designate the classes, as has already been done.

"Office furniture and fixtures" are assets to their actual cash value as marketable commodities, and no further. Blanks, stationery, and other articles purchased for the company's own use; also leases of real estate for the company's own occupancy are not to be regarded as assets.

Loans of all kinds, having the security of *notes alone*, although in all respects good bankable paper, including "call loans," bills receivable, memorandum checks and accommodations, the committee believe should be entirely disregarded by the insurance officer as assets. A single exception should be made in the case of marine companies, which by the usage of all communities, receive payment for premiums in the notes or book charges of the insured.

To the extent now indicated, and with the limitations suggested, it is believed the legislatures of the several states should conform their action without any limitation of state lines in making the selection. The best interests of the companies, and justice to the policyholders in other states, all seem to demand the adoption of this rule.

"Commuted commissions" are but another name for the purchase of contingent liabilities, at a discount, and should not, therefore, be regarded as assets.

Premiums payable by future charges against the company are simply *disbursements* made in advance, and not *assets*.

Premium notes and loans on life policies in force on interest, being a portion of the premium due for policies actually delivered, covering the whole term of the policy valuation, and thus issued for a full and valuable consideration, are, in the opinion of your committee, assets to the valued amount of the respective policies on which they are issued, the security being ample, and like other investments, bearing a cash income of interest.

Life premiums in process of collection, including those in the hands of agents, frequently entered as "cash in hands of agents," may satisfactorily be disposed of as follows: These are mainly premiums on policies or renewal certificates sent out to the agents for collection, and which on the 31st of December, have not been accounted for to the home office. Very properly, these appear on the books of the company as items of charge or debit against the agent. As a matter of bookkeeping, the entry is proper. It is to be remembered, however, that the agent is in the place of the company, and the real status of the latter is not changed by this transfer of the collection from the home office to that of the former. The true method of treating the item is very plain. As no company is required to make its return to the insurance department for thirty or sixty days after the end of the previous year, an abundant time is given for the ascertainment of the true state of the business in the agents' hands at the end of the year. Let this opportunity be improved and the true result appear in the statement.

And then let the actual state of the account between the agent and the company be adjusted, so that no "cash" shall appear to be in his hands except such as the company has a right to. All this can be readily done within the time specified, and the actual state of the business in this particular be reported.

This course will necessitate a change in the valuation of the policies, as none will then be taken into account which have not been actually delivered, in case of new policies, or which have not been renewed, in case of old ones. Consequent on this, will follow a disappearance of that vastly prejudicial item of "policies terminated" of the "not taken" designation. A new element of truth and consequent strength will be thus secured by annual settlements with the agents, and a greater efficiency in the collection of premiums, and the actual financial and business character of the company be more truly made known to the public.

"Office premiums" are of the same character with many of those already treated of "in the hands of agents." They are understood to be such premiums as are to be paid at the home office, which by the terms of the policy are over-due, but within the term of "grace" which the company are willing to allow for these payments. If the grace is *by rights* under any condition of the policy or provision of law, it is as much a part of the term of credit as any other part of the time allowed for payment; and hence is in the category of premiums not yet over-due. If, on the contrary, the company are under *no legal obligation* to receive the premium, it being over-due, it has no more right to enter the item as an asset, than it has any other over-due premium payment, however great may be the expectation of its being redeemed. Whenever the payment in such case is made, it is a transaction of the time when made, and makes its appearance among the other contemporaneous receipts and income of the company. It follows that the whole item should be rejected, no entry to be made until the cash is actually received in the one case under the "grace" contracted for, and in the other under the "grace" which the company graciously grant.

"Deferred premiums" are also to be disposed of in very much the same way as already indicated above. These are unpaid premiums, due for more or less of the term covered by the policy valuation, the credit given being a part of the contract, and, of course, binding on the company.

As the company is charged in the valuation with the liability as a paid-up policy for the year, it is very clear that it should have a corresponding credit given for the portion of the premium remaining unpaid. The exact method of accomplishing this would be to make the allowance at the time of the valuation, and report only the balance as the actual value of the policy or liability of the company. If reasonably practicable, this would be the prescribed rule, thus taking the whole item of "deferred premiums" out of the list of "assets" and correspondingly reducing the policy liability. As the actuarial work would be thus greatly increased to a burdensome extent, a substitute bringing us to substantially the same result, may be adopted by the introduction of the item named. The valuation or liability charge having been made to include the unpaid premiums spoken of, a credit is to be given therefor to the same extent as that liability has been thereby increased, but no farther. The premium deferred is not, however, its true measure. This embraces a "loading" for expenses that have not entered into the valuation usually about one-fourth its amount, and this should be, of course, deducted from the whole premium, and the balance passed to the credit of the company as an offset to cancel the excess of valuation. For convenience, the credit is to be made on the credit side of the account, among the items of assets. It is not in any sense an

"asset" or to be regarded as such in any other light than to reduce the apparent liability of the company as charged on the opposite side of the account. For this purpose alone it is a *quasi* asset, with this limited quality, having no intrinsic value. The conclusion is thus reached, that the actual amount of deferred premiums on policies legally in force for the term covered by the valuation less the "loading," should be allowed as a credit to offset the debit of overcharge in the item of value liability, but that it should not be for any other purpose regarded as an asset of any value. The actual amount to be deducted for this cause must be calculated for each company separately, according to the extent of its "loading."

To present with more certainty the exact state of the companies' affairs, it is suggested that the valuation should be so made as to present, in distinct sums, separately, the amounts respectively charged for liabilities on those policies which have been fully paid up for the year, and those on which the premiums are more or less deferred. But, as this comes more properly within the province of other committees of this convention, nothing further is added to this suggestion.

The following compend presents a view of the conclusions arrived at by the committee defining the assets and investments of insurance companies:

1. The various items of cash, stocks, bonds, real estate, loans on mortgage and collaterals, coming within the general description of first paragraph of this report.
2. Furniture and fixtures to their actual cash value, as marketable commodities.
3. Cash in agents' hands and in process of collection or transmission, to the amount actually received on or before Dec. 31, as ascertained and determined subsequently to that date, before making the annual statement.
4. Premium notes and loans on life policies in force on interest, not exceeding the amount charged against the companies in their liability for the policies respectively.
5. Deferred premiums on life policies legally in force to their full amount, less the "loading" for expenses, for the sole purpose of cancelling an equal amount of the liability with which the company is charged in the policy valuation.
6. But leasehold estates for the company's own occupancy, commuted commissions, loans secured by names alone (except marine premiums,) blanks, stationery and other articles purchased for the company's use in the transaction of its business, are all to be rejected as assets of any value in judging of the true status of the companies.

Respectfully submitted,

ALBERT W. PAINE, *Chairman.*

Mr. PAINE moved that the report be laid on the table, and be considered in committee of the whole in the afternoon. Mr. Paine also expressed a hope that the reporters present would observe that it was a mere report of a committee—not a document endorsed by the convention as yet.

Mr. KELSEY moved that a sufficient number of this and all other reports be printed for the use of the members of the convention.

Some discussion was had on the subject of the accuracy of the reports of the proceedings of the convention in the daily papers, the result of which was that the reporters were understood to be requested to be careful to note that the report made by Mr. Paine was a mere committee document.

Mr. KELSEY's motion was then carried.

Mr. PAINE moved that the committee on blanks be instructed to inquire into the expediency of calling for the items showing the particular business of the companies in the different states.

Referred to the committee on blanks.

Mr. NOYES moved that the chairmen of committees, as fast as reports were prepared by their committees, be authorized to have them printed, without waiting to present them to the convention.

Carried.

The PRESIDENT announced that the hour (half-past one) at which the delegates were invited to visit the Equitable Life Assurance buildings had arrived.

Mr. KELSEY moved that the convention adjourn to meet in executive session at the Fifth Avenue Hotel, at four P. M.

Carried.

FIFTH DAY.

NEW YORK, *May 29, 1871.*

The convention assembled at 11 o'clock, A. M., the president in the chair.

There being no objection, the reading of the minutes of the last meeting was dispensed with.

The PRESIDENT—This morning was set apart as a time when the representatives of foreign companies, doing business here, would be received in the convention and invited to communicate their views. Representatives of those companies are present, and we shall be glad to hear from them.

ADDRESS OF THE FOREIGN COMPANIES.

Mr. E. W. CROWELL, resident manager of the Imperial insurance company, London, was then introduced, and said:

Mr. PRESIDENT AND GENTLEMEN OF THE CONVENTION:

In behalf of the foreign fire insurance companies, which I will for a moment represent, I desire to thank you for the opportunity offered them to very briefly communicate with you upon this occasion, and express to you their views upon one or two points which have not been alluded to in any of the reports which have been brought before your body. The communication will be brief, for the reason that the ground covered by the fire insurance companies represented by the committee from the New York Board of Fire Underwriters has been, in our opinion, gone over ably, clearly, and lucidly; and most of the points in which we are interested as foreign insurance corporations has been treated upon by them.

There are, however, one or two points which are essentially important to us, though not necessarily so to them, that we desire to communicate to you upon this occasion.

I desire at the outset to say that the six foreign fire insurance companies doing business in the state of New York are all represented by

your own native American citizens. Their interests are confided to your own people, and therefore, the managers of those institutions feel that they have not only a duty they owe to their principals on the other side of the water, but a duty which they owe to your own people, of which they are a part, in protecting the interests that are confided to them—the interests of those who seek protection by the immunity and indemnity which their policies afford.

We also desire to say that we wish, in all cases, to present exact and perfect statements of the affairs and condition of our respective companies. We desire that the inquiries should be searching, and we concede to you the entire right to require that those questions shall be thoroughly and perfectly answered.

We also say that we desire to comply with any laws that are not in themselves oppressive or severely discriminating, that the different states of our union may seek to pass with reference to our respective companies.

We also desire to say, that we recognize the right and the duty and the propriety of your requiring from foreign corporations a deposit, in this country, of a certain amount of their assets which will be a guarantee of entire security to American policyholders, although those requirements are not extended to American companies seeking to do business in those states in which their company is located and where it was created.

We also say, however, that any foreign company, not willing to make a proper deposit of a portion of these assets in this country—seeking to do business in those states which do not require them and not in those states which do require them—should be looked upon with great suspicion.

We endorse fully those opinions which have been advanced in the able report of the committee of the New York Board of Fire Underwriters with reference to deposits. We also endorse those opinions that have been advanced by the Chamber of Commerce, upon that subject—the distribution of deposits, the regulation of the assets of companies. And this applies with equal force to the deposits which may be required of foreign fire insurance companies. Whilst we admit your right to require, and whilst we express our willingness to make deposits in your states, we ask that it shall not be distributed—that it shall not be scattered, and that it shall be kept intact, altogether, in that state where its headquarters is located, and where its principal office or branch is located in the United States.

With reference to the requirements for good laws, we will say, that good companies invite the most stringent legislation and the most stringent laws with reference to insurance companies. It is only the weak companies that desire to avoid these stringent laws and those stringent investigations.

With these prefatory remarks, which I have here offered, thanking you again, gentlemen, for the opportunity afforded us of presenting our communication, I will now introduce Mr. Blagden, the associate manager of the North British and Mercantile insurance company, who will read to you the communication which we have to present to you.

REMARKS OF MR. SAMUEL P. BLAGDEN.

MR. PRESIDENT AND GENTLEMEN OF THE CONVENTION—It is quite encouraging, sir, for a young man, coming among those to whom it is impossible that he should be known, to be introduced by one who is of a well established reputation, and who is well-known to most of you.

I desire, in behalf of the foreign companies, to express to you, sir, the honorable president of this convention, and to you, gentlemen, who have come, many of you at great distances, to attend as delegates, our sincere thanks. Doubtless you have, some of you, come at great

inconvenience to yourselves, for the good of the insurance departments, and of the companies, and of the public at large.

There is nothing for me to add to what has been so well said by the gentleman who has preceded me, and without referring to anything further, than to express a wish, that at your next convention there may be present delegates from the other side of the ocean, I will read the communication addressed to Hon. George W. Miller, president of the insurance convention.

TO HON. GEO. W. MILLER, *President Insurance Convention:*

DEAR SIR: The foreign insurance companies have the pleasure to address the convention upon points of great interest to themselves which were not referred to in the very able report of the committee of the New York Board of Fire Underwriters.

It is the desire of our companies to furnish full and satisfactory statements to the various departments as promptly as the nature of the case will permit; the supplementary statement of the business in this country can, of course, be made at the same time appointed for American companies, but the delay necessary in order to hear from the various agencies in different parts of the world, renders it impossible to make the foreign statement of the entire business of the company for the year until about the first of July succeeding, and we would respectfully request you to take this fact into consideration and arrange the time in accordance therewith.

We have had occasion in past years to address some of the departments on this subject, and desire to express our thanks for the consideration shown us by the several officials at the head of the same.

The only other points to which we would especially allude, is the very important question of deposits which was very fully considered in the report of the committee referred to above, all the arguments advanced therein apply with like force against the separation of the assets of foreign companies.

We desire to have such funds deposited in such a manner as will best secure the policyholders, and would suggest that if placed in the hands of trustees, citizens of the United States and approved by the head of the insurance department of the state in which the principal office in this country may be located, as provided in the law recently passed by the New York state legislature, this end is fully attained.

The business of the foreign companies has already induced the investment of upwards of \$6,000,000 capital in this country; in return for this all that can be expected, and all that is asked in their behalf, is that they may be subject to the same laws and entitled to the same privileges as the companies of this country. They cheerfully pay all charges and taxes for which such companies are liable, but they respectfully protest against discriminating taxes and laws to their detriment.

They claim this position with the more assurance, because the fullest liberality is granted by the English government to American companies doing business in that country, where they are placed on a precisely equal footing with the home companies, and no deposit whatever is required.

Asking your kind consideration of these points, and your cordial co-operation in our efforts to have this fair and just equality established throughout the different states, we are, gentlemen, with high regard, very sincerely yours,

(Signed,)

ALFRED PRELL, Liverpool & London & Globe Ins. Co.,
A. B. McDONALD, Royal Ins. Co., of Liverpool and London,
WM. H. ROSS, Queen Fire Ins. Co., Liverpool and London,
SAM. P. BLAGDEN, N. British & Mercantile Ins. Co., London & Edin'gh,
E. W. CROWELL, Resident Manager Imperial Ins. Co., London,
ALLIGER BROS., Gen. Ag'ts Commercial Union Ass'nce Co., London.

Mr. BRINKERHOFF—I move that the communication be received, and that it be referred to the committee on deposits. I believe that that is the only committee especially interested in that report.

There being no objection, the communication was so referred.

The PRESIDENT—I would call upon General Smith, the chairman of the committee appointed to wait upon the ex-officers of state insurance bureaus of former years, and to invite Mr. Barnes to a seat in this convention.

Mr. SMITH—I can inform the convention that the committee waited on Hon. William Barnes, and were informed that he was out of town at that time. He is now present, and I have the honor of introducing him to you.

SPEECH OF HON. WILLIAM BARNES.

Mr. BARNES was received with applause, and spoke as follows:

Mr. PRESIDENT AND GENTLEMEN—Your honored president suggested that he did not know whether or not I was prepared for a speech on this occasion. I can report to him that I have no speech at all to make, and am not prepared to make any upon any particular point connected with your session, or with any question that may arise here. I am thankful for the honor which you conferred upon me, through Gen. Smith, in inviting me to an honorary seat in your convention. You are all well aware that one who has spent more than ten years of the best working years of his life, upon this subject and upon the questions connected with it, cannot look upon your deliberations with anything except a great and lively interest.

Sixteen years ago, this summer, Mr. President—through an honored gentleman, now deceased, one of the most efficient officers that the state of New York ever had in any department—I had the honor of being appointed by the comptroller to examine the Webster Fire insurance company, of the city of New York. That is now sixteen years ago this summer—in the summer of 1855. I appeared in a very modest and unpretending manner, with my little carpet-bag, in Wall street; the *denouement* and subsequent history I will not take up your time to repeat. To all who are interested in that subject, of course, it is a matter of history. Suffice it to say that the company was found to possess only a very small portion of the assets which they represented. This operation was repeated, month after month, during the summer of 1855, until six fire insurance companies were examined; and some of them, with \$200,000 capital, only had \$4,000 or \$5,000 of assets. These six companies, month by month, were turned over by the attorney-general and the supreme court, and all dissolved as fraudulent organizations. In the fall of that year the native American party came to power, and my distinguished friend—who I am very glad to see represents California in this convention—took charge of the insurance interests of the state of New York, and executed his duties with ability and efficiency. Subsequently, a general commission was appointed, of three individuals, to whom I will now allude, to examine all the fire insurance companies of the state of New York—nearly all being comprehended in the city of New York—and made a special report in 1856, with which gentlemen in the fire insurance business are familiar.

I beg leave, Mr. President and gentlemen, on this occasion, as I deem it not inappropriate, to allude to the very able and distinguished services of three gentlemen who were at that time connected with fire insurance, and to whom, to a great extent, the success and the results of my labors of that summer were due. I allude, Mr. President and gentlemen, to Mr. George T. Hope, president of the Continental, Mr. Edward A. Stansbury, and to Joseph Hoxie, now deceased. These three gentlemen, mainly, took the onus and responsibility of advising the comp-

troller to make these examinations; and it was upon the strength of these three men, who put themselves into the breach at that time, that these examinations were made, and the efficient mechanism which afterwards prevailed in this state, subsequently so perfected, by which our fire insurance interests were put upon a sound and reliable basis, was adopted. I do not know that I have ever had before an occasion to make this public acknowledgment, but it is one which is eminently due to these gentlemen, and one for which I confess great gratitude during the last sixteen years. One of those gentlemen is now deceased, and I can well recollect, perhaps to a certain extent, the turning point on a fire insurance examination, in reference to a particular company, that I consulted him upon his opinion as to my duties, and the public interests, in connection with that company, and I very well recollect his emphatic response was: "Do your duty under all circumstances. If the company is to any extent fraudulent, it should be entirely dissolved, and turned over to the supreme court and the attorney-general for dissolution." And that policy was adopted in all of those cases. Subsequently, in 1860, the New York department was established, mainly in consequence of those examinations in the summer of 1855, and almost solely on account of and for the benefit of the fire insurance interests of this state.

I am very happy, Mr. President, to find, I believe, from 18 to 20 states represented here, either having separate departments or separate officers charged with the control of the insurance interests of their states. I recollect, I felt, in connection with my brothers in Massachusetts, that we were exercising a somewhat extra territorial authority, being superintendents of the states of New York and Massachusetts, in covering the whole United States by our jurisdiction. And, during the whole period of my official term, I encouraged, to the greatest extent possible, the creation of the departments in the other states, and the release of the jurisdiction of the state of New York and of Massachusetts, over the United States. It is, of course, entirely plain, and upon which there can be no controversy, that, so far as rights are concerned, the state of Rhode Island, on this subject, has precisely the same rights as the state of New York, and the state of Nebraska the same rights as the state of Massachusetts. During this time—the period of my official term—I was buoyed up in the performance of my duties, which I attempted "to perform on all occasions without fear, favor or affection," or regard to state lines, or individuals in any respect. In view of the wonderful growth of the different insurance interests of the state of New York, fire and life principally, not so much marine, which was stationary, the jurisdiction of the department was subsequently extended to life and marine companies. And, Mr. President, I know that it will be your pride to build up the interests of your respective states in this respect. Our growth, our situation, our status and our reports to our companies are altogether beyond the insurance companies of any other country in the world. No country in the world has companies as sound, as reliable and which make as perfect statements as the insurance companies of the United States. How has it been done? It has been done by honesty and by fair and square dealing with the public all through, and with everybody connected with their interests. And on no other principle than on that of honor and exact justice to the public, between the states, can this great interest carry on and perfect the status which is existing at the present time. It must be an actual growth; it must be a normal growth and the public will recognize and give us that status to which we are entitled, in the long run.

Notwithstanding my persistent efforts, and the persistent efforts which were made by the Massachusetts department, and by other departments which were organized year after year, and, by the companies, to introduce this interest in such a way as to be recognized by the public and by the constitution and laws, it has been a very slow process. To-day in the state of New-York, the office of superintendent of the insurance department is nothing but a creature of a statute.

It is not yet a constitutional state office in any state in the United States. I hope to see the time when this office will be recognized in the constitutions of the different states, not only in our own state, but in other states. I allude to this purely for the reason that there are other immense corporate interests throughout the United States. There are other corporations—trust, banking and railroad corporations—that are growing up, which, to a certain extent, are in competition with the insurance business; and, in order to get this recognition from the public, the department must be conducted with integrity, with ability, with persistency, and the continuous labors of years are still necessary before the office of superintendent of the insurance department of the state can be put into a state constitution, and be recognized as one of the necessities and the requirements of our modern system of insurance.

The legislatures of the different states can, by a single edict, wipe out every single insurance department in the United States, and the insurance companies and the insurance departments must advance our interests, our peculiar interests, in harmony with the general interests of the nation, and the interests which, to a certain extent, may conflict with them. I hope to see the interests advanced in that direction. I have no doubt they will be in the different states of the union, but we have not accomplished that object yet.

I do not feel, Mr. President and gentlemen of the convention, that the companies have an entire right to control insurance legislation. I do not feel that the insurance superintendents of the different states have an entire right to control the insurance legislation of the different states. It is only in harmony with the companies and with the general public interests that insurance legislation in the different states can be established upon such a basis as to be permanently maintained throughout the union as a fixed fact, and as a fixed legislative policy in the different states of the union. It is exceedingly detrimental to the public interests and to the interests of the departments to have laws passed year after year, in different states, that are in direct conflict with each other, and in conflict with the legislation of that state. If I might be allowed to make a suggestion here, Mr. President, I would suggest that if the various gentlemen here can harmonize upon a *single* point, as being desirable in all the states of the union, and accomplish a uniformity of legislation upon that subject, the object of the convention, so far as the public interests are concerned, will have been fully paid for and be appreciated by the public if you harmonize on a single point. I do not mean to say that entire harmony can be had in the different states of the union upon all points connected with insurance. Our states are different states in their interests and feelings, in their views and wishes, to a certain extent. The peculiar advantages of our form of government to all our people of the United States is this independence of the different states, and the independence of the individuals in the different states, acting in harmony altogether for the benefit of the public and for the general interests of the whole country.

I beg pardon, Mr. President, for consuming so much of your time. The different points press upon me relating to this subject, but they are wholly in a crude state—not arranged in any form for speaking upon any particular topic, or in reference to any particular question. I can only say that you have my best wishes for the result of your deliberations, such as I have no doubt you will arrive at, in the main, upon the various questions which will be submitted to you; and that, if it is possible for me to render you any aid or assistance in any way, I shall be very happy to do it in the course of your session. Of course, my peculiar duties—my special duties—at the present time are in relation to one company, and those must be controlling. And it is hardly worth while for me, or perhaps highly desirable, that I should regularly participate in your deliberations. Thanking you for the honor conferred upon me, I am very much obliged for the attentive hearing which you have given me, and will have the pleasure of visiting your meetings as frequently as is consistent with my other duties. (Applause.)

I need not say that I shall look with pride and pleasure upon the success of any insurance superintendent of this, or any other state, and of any insurance

companies—fire, marine, life, accident, or any other—in their future career and future progress. I feel that in all these interests we ought to strive towards greater solidity and entire soundness in our institutions, and that in the fire, in the marine, and in the life departments, it may be worth while for us all to consider the expediency and the propriety, in addition to all the debits which may be regularly put into companies' statements on the side of liabilities, that the companies adopt the form, pursued with great success in Great Britain by companies like the North British and others, of creating an extraordinary surplus reserve to meet contingencies, in addition to the ordinary surplus that is divisible, that shall not be divided at all. Our country is growing. We are getting to be an immense nation—the greatest nation on earth, and powerful—attracting the notice of the whole world. How are the insurance companies going to maintain their status, their growth and their position in the United States and throughout the world, except by increasing strength—increasing solidity? How are you going to get this increase of strength except by having a permanently undivided surplus? You cannot do it. Your real estate is rising. The wealth of the country is increasing. Men will insure their lives for larger amounts in the future as our country grows. And how are we going to meet these complications except by presenting arrays of figures and of solid assets in all these departments? We can do it in no other way. I have seen fire companies managed with the most perfect economy and with the greatest skill, whose history for twenty years has been that of entire financial success, who have divided all of their profits, and distributed them to their stockholders, with the same amount of capital that they had 50 or 75 years ago, and with perfect management, decline simply because they are not growing in strength. If you skin down your assets all the time, you have no reserve to trade upon all over the country; when we accumulate these extraordinary surplus reserves all over the country, then we shall maintain our status with the public. I am free to say, from the connection that I have had with them, that no institutions or corporations in the world are managed in the main with as much fidelity and as much honesty and as much regard for the public interests as the insurance companies. In no other way can we, however, retain the rank and the status which we even now hold at the present time, except by the adoption of this process.

I beg pardon, gentlemen, for consuming still further time, but I have been so impressed with this idea that I have desired, on some occasion, to express it and express it in an emphatic manner, as an absolute necessity to the object which we have in wishing our insurance companies, in their various departments, to maintain this leading rank as well managed corporations throughout the United States.

Mr. President, if you will excuse me a few moments further—during the last two or three months I have had the privilege—although in a position not exactly fitted for travel—to visit some ten or fifteen states in the union, and I have never been so impressed with the great future of this country as I have been in those visits. You, gentlemen, fire underwriters and others, who have visited these different states, have seen these things heretofore. I think the future interests of this country, and the future growth of this union are illimitable; so with the corporations and the various interests. What we want is the most skilled and the most educated, the best and the most reliable persons that we can get in charge of these various interests; and with these, the growth of the insurance companies of the United States of America will out-rank, as they do even at the present time, those of any other country on the globe. (Applause.)

Mr. SKEELS—I am prompted by some of the remarks of Mr. Barnes, in the early part of his address, to suggest something of an historical nature in addition to what he has already said. My connection with the system of state supervision commenced under the old system in the comptroller's office, and my earliest recollections are of overhauling the reports made by Mr. Barnes of his examination of the Henry Clay, the Wall Street, the Webster, the Consolidated, and a number of other insurance companies; it was shown that the investments of these companies, in many cases, were of most

gages on real estate, something like half a mile out in the harbor of New-York, under water,—lands totally valueless. In one case, it was shown that a company reported a capital of \$150,000, and it appeared that the money had been loaned from a broker for three days, for which was paid \$1,000 a day, which funds were exhibited and sworn to be the property of the company, and upon such evidence the charter was obtained. Such were the character of some of the corporations with which we had to deal, and my mind was very much impressed with the necessity of a more thorough supervision of the insurance interest. In pursuance of these views, I visited New-York, after retiring from the position I had held, and introduced the subject of an insurance department to two of these gentlemen whom Mr. Barnes has named, Mr. Stansbury and Mr. Hoxie, for laying out an insurance department and getting a law passed. The underwriting mind in New-York was then fortunately ripe for such a suggestion. It was agreed upon, and in less than three days, the draft which I made for the proposed insurance department law, was approved by the committee of the Board of Underwriters, Messrs. Hope, Stansbury and Hoxie, and armed with letters of introduction to senators and members of the legislature, I went to Albany and started the bill upon its passage. The law was passed after something of a struggle. When it had reached that stage, in the course of legislation, which rendered its passage certain, the question was first broached as to who should be superintendent. I never shall forget the words of Mr. Stansbury addressed to Mr. Hoxie and myself, "Gentlemen," he said, "we want a man who can put the knife in up to the hilt and turn it round until it has disemboweled the rotten corporations which has so long disgraced our business; that man is William Barnes." How well that opinion was founded is borne out by the fact, that hardly any other name was mentioned for the position; and how well Mr. Barnes filled it, the fifteen or twenty volumes of reports which he issued bear ample testimony.

THE QUESTION OF ADJOURNMENT.

Mr. CAULDWELL moved, that when the convention adjourn, it be to meet, in executive session, at the Fifth Avenue Hotel, at 3 o'clock. Carried.

Mr. ROW moved, that the various committees to whom subjects have been referred, be requested to report the same to the convention to-morrow; and that this convention adjourn on Thursday, June 1st, to meet in New York city on the third Wednesday of October next, to complete the work for which it assembled.

Mr. ATCHISON moved to lay on the table, for the reason that, till the committees reported, it was premature to pass such a resolution. Carried.

ASSETS AND INVESTMENTS.

Mr. PAINE gave notice, that when the report (from the committee on assets and investments) presented by him on Saturday came up for consideration, he would move to amend it as follows:

Premiums payable in future services to be rendered, or in any special manner other than money, are only *disbursements* made in advance, and are not to be accounted as *assets*.

Mr. PAINE moved, That the practice of reporting items of assets, liabilities, income, or expenditures, under designations or in classes, or in any manner not expressive of their true nature, is an evasion that tends to weaken the confidence of the departments in the correctness and integrity of the whole report, and *when found intentional*, justly exposes the company to suspicion.

Referred to the committee on blanks.

Mr. PAINE also moved, that reciprocal or retaliatory laws were sinful in their inception, injurious in their operation, and in their nature violative of the plainest principles of interstate amity, and in the opinion of this convention, should cease to exist.

Referred to the committee on miscellaneous subjects.

Mr. PILLSBURY moved, that Mr. N. D. Morgan be heard on a particular point at this time. Carried.

Mr. MORGAN, referring to the report of the committee on assets and investments, spoke as follows:

ADDRESS OF N. D. MORGAN.

MR. CHAIRMAN AND GENTLEMEN OF THE CONVENTION:

I wish to detain the proceedings of this convention upon one point only, namely, so much as may be under consideration by your committee on assets. To make my point clear, I must begin with the rules and assumptions which form the ground upon which is built the rates of premium used in the transaction of the operations of a company. I shall press no new principle, for what I shall say is based upon practices as old as is life insurance itself. What I have to say to-day was said six years ago, in a letter to the Hon. Mr. Barnes, superintendent of the insurance department of New York, from which I now read. Mr. Barnes, in his report for 1865, used these words:

"Valuations for governmental purposes will, however, ultimately have to be made upon the *actual premiums* receivable by the different companies, deducting an allowance for loading, as may be provided by law."

Life insurance is a theme that should be approached and handled reverently and discreetly, and, I would add, with a fear of God, for it is little less than holy ground; hence, carelessness and ignorance, empiricism and charlatanry, should be excluded from its high places.

Now, why should valuations for "governmental purposes" be made upon principles differing from those used in valuing for purposes other than for the government? For what purpose are these "valuations" made? Are they not made for the same purpose that a merchant takes an "account of stock," that he may ascertain his profit or loss, or as your report terms it, his "status?" And what is the rule adopted by the merchant? Does he not inventory his stock at its cost price, or, if depreciated or otherwise, at its then cash value? And his debts, are they not set down at their full extent? So with the valuation of the liabilities and assets of a life insurance company.

When a life insurance company is organized (if properly done), a "rule of cost" is adopted, and all its liabilities are measured by this rule, not only when the liability is incurred, but in every stage of its progress, until culminating in its maturity, either at the death of the persons insured, if the obligation be a policy of life insurance; or at the time of attaining a certain specified age, if the obligation be an endowment policy; or from year to year, if the obligation be an annuity; or in whatever form the liability may be assumed.

The merchant who buys cloth, measured by a yard containing thirty-six inches, and at the end of the year takes an "account of stock," using a yard containing but thirty-four inches of equal length, may show on paper a very prosperous condition. But none will contend that the plan of "valuation" is proper or safe. And yet in life insurance, wiseacres have been found (outside of the active life of the profession, I am happy to know), who would adopt the cloth drapers' system of measurement.

A vast amount of twaddle is indulged in by writers about "net" and "gross," "loaded" and "unloaded" premiums, etc. Now, what is "net" premium and "gross" premium?

If money was not capable of earning interest, the net premium would be the sum insured on a single payment, or, if in annual payments, a sum equal to the annual demand of death among a number sufficiently large to secure an uniform mortality. But as money *is* capable of earning interest, it is evident that a sum somewhat smaller than the one indicated will suffice to meet the demands as they occur in the same community. Interest, however, is a fluctuating element in our calcula-

tions, and can only be guessed at. In an old country, like England, the rate of interest on permanent investment is much below that of this newer and less developed country. In adopting a rate of interest for the purpose of adjusting the scale of premiums for a life insurance company, whose operations and investments are to be confined to the United States, great care should be taken to avoid too high an assumption of the capabilities of money to earn interest.

In fixing the tables of rates at which a Life insurance company will grant policies of insurance, several elements are introduced into the problem. They are as follows:

1. The rate of mortality assumed as that which will be likely to obtain throughout the territory occupied by the members of the company.

2. The rate of interest at which the funds of the company may be constantly invested.

3. The cost or expense of conducting the operations or business of the company; and

4. An element wholly contingent and uncontrollable, admitted for the purpose of safety, to provide for loss in investments, excessive mortality, etc.

The first element being fixed as inexorable, we are ready to adopt the second; and it is evident that if such a rate of interest shall be fixed upon as shall be *much* below that which will obtain, a large surplus fund will be realized, removing the necessity for the introduction into the problem of the elements 3 and 4. The result would be what is usually termed the net premium, and the introduction of 3 and 4 would be the "loading," converting the result into a gross premium.

In the arithmetical operation of solving the problem of "what is the proper annual premium for a policy of insurance," the "present value" of the proposed policy or obligation is usually first obtained. This value must necessarily include the rate of interest obtainable, and the elements 3 and 4. The present value is then divisible (for the purpose of ascertaining the "annual premium") by the annuity at the given age, increased by unity. The quotient in this operation is the "actual annual premium." For the information of those who may not be conversant with the doctrine or practice of annuities, and to make more clear your illustration of the mode of valuation given on page 108 of your printed report, I would remark that the annuity divisor above given is increased by unity (1), because an annual premium for a life insurance policy is always payable at the *beginning* of the year instead of at the end of the year, as in an annuity. An annuity, payable *by* a life insurance or annuity company, is always a pure contingency, resting upon the probability that the life will continue for one, two, three or more years. The annuity or premium payable by the assured *to* a life insurance is based upon and is the value of a like contingency, augmented by the certainty of one payment, and which one payment is represented by unity added to the annuity divisor.

Having thus adopted a "rule of cost" for measuring the liabilities and assets of a life insurance company, and which rule includes the elements three and four, it is proper to state what proportion of the ascertained cost is represented by those elements.

If the Carlisle tables of decrement of human life be selected, and the rate of interest *four per cent*, in order to fix the rates of premium at about what usually is charged in the United States by companies in good standing, we must add to what is usually called the net premium a loading of thirty-three and one-third per cent. By adopting an uniform rate of loading throughout all the ages usually insurable, you will not fail to remark that the older ages will pay a much larger proportion of contingent charge than those whose ages are younger. Indeed, so great

is the disproportion that the rule becomes an absurdity long before the extreme age stated in the Carlisle table is reached. An examination of the following figures will serve to illustrate my meaning. The figures in the first column are the ages of the persons whose lives are insured, each for \$1,000; the figures in the second column represent the value of an assurance of \$1,000, Carlisle mortality and four per cent interest of money; the figures in the third column represent the amount of contingent loading at 33.3 per cent; and the fourth, the actual single premium for an assurance of \$1,000, being the sum of the second and third columns:

20.....	\$255.32 + \$85.11 =	\$340.43
25.....	282.89 + 94.29 =	377.18
30.....	313.38 + 104.46 =	417.84
35.....	344.57 + 114.86 =	459.43
40.....	381.78 + 127.26 =	509.04
45.....	419.05 + 139.68 =	548.73
50.....	466.58 + 155.52 =	622.10
55.....	526.04 + 142.31 =	669.25
60.....	589.87 + 196.62 =	786.49
65.....	642.03 + 214.01 =	856.04
70.....	703.49 + 234.49 =	937.98
75.....	760.04 + 253.34 =	1,013.38
80.....	800.66 + 266.88 =	1,067.54

By this it will be observed that the value of the assurance at the age of 20 is \$340.43; at 40, \$509.04; at 60, \$786.49; at 75, \$1,013.38, the latter \$13.38 more than the sum of the assurance! If we carry our illustration up to the extreme age of 103 years, we find that the net value of the actual single premium is \$949.21, to which, if we add the uniform rate of loading, \$316.40, we have a single premium of \$1,265.61, being \$265.61 more than the sum insured! The error, therefore, is in adopting an uniform rate of loading in constructing a table of rates for insurance for the whole term of life. But inasmuch as the rule of uniformity has been adopted, and incorporated into the organic *formula* for computing the premiums, it is proper that in *all subsequent valuations* the same rule should be applied, however absurd may be the mathematical result, inasmuch as the disturbance of harmonies is on the side of safety.

This brings us to a consideration of the term "re-insurance" or "reserve fund." Re-insurance or reserve fund is that sum of money required to enable one life insurance company to re-insure all its obligations in another life insurance company of equal responsibility, charging the same rates for insurance of similar risks.

For the purpose of ascertaining what that sum is, are the valuations of the liabilities and assets of a life insurance company periodically made.

In the foregoing I have endeavored to show what is the proper "rule of cost" wherewith to measure the extent of the obligations of a life insurance company. The elements composing this rule are: 1. The rate of mortality. 2. The rate of interest. 3 and 4. Cost of transacting the business and for contingencies.

This exhibit should be in form as follows:

On the debtor side of the account, I would place what may be termed the

LIABILITIES.

Present value of the policy liabilities of the company, say		\$10,000,000
Add loading 33 $\frac{1}{3}$ per cent.....	\$3,333,333	
Less commuted commissions.....	\$333,333	
Advances to Agents on business done, 10,000.	343,333	2,990,000
Death claims.....	100,000	
Other debts.....	10,000	110,000
		<u>\$13,100,000</u>

On the other side of the account should be placed what I would term "resources," in place of the word assets. Assets are of two kinds—actual and contingent—both valuable, both occupying their proper place and performing their appropriate functions.

RESOURCES:

Present value of future premiums.....			\$12,000,000
U. S. Stocks.....	\$1,000,000		
Bonds and Mortgages.....	500,000		
Cash in Bank.....	50,000		
Agent's accounts.....	300,000		
Deferred premiums.....	\$200,000		
Less 10 per cent.....	20,000	180,000	
Accrued interest.....		50,000	
			<u>2,080,000</u>
			\$14,080,000
Surplus.....			\$980,000

By this system of valuation and exhibit, you never lose sight of the future expenses, but always provide for them in the exact measure of the original assumption. By this plan of statement, is eliminated from the assets every item of a doubtful character, all that is on that side of the account being easily shown to be what is claimed for it.

These form the value of the company's liabilities, or the debtor side of the account.

For the other side of the account we have, among other, the following items:

1. The actual premiums promised to be paid to the company. 2. All other *contingent* income.

The difference between the two sides of the account is the sum necessary to reserve as a re-insurance fund. If the company are in possession of funds in excess of this difference, the excess is surplus. And if they fall short of this difference, then is the company in an unsound condition, *measuring its soundness by its own rule.*

To exhibit the operation of the rule here set forth, we start with the proposition of the forty-first page of your report, viz.: "*At any given age the net present value of the future premiums is exactly equal to the present value of the sum insured,*"—with this amendment: "*At any given age the present value of the future premiums is exactly equal to the present value of the sum insured, and all the contingent liability of the company growing out of a policy issued at such given age.*"

It has been shown in the table above that the net single premium at the age of 20, Carlisle, 4 per cent, is \$255.32 per one thousand dollars. That a loading of 33½ per cent amounts to \$85.11, making the value of the liability \$340.43, or the single actual premium. By dividing this single actual premium by the value of an annuity at the age of 20, increased by unity (for reasons heretofore given) ($18.361 + 1 = 19.361$), we find a quotient \$17.58 the actual annual premium, the present value of which is just the same as the value of the liability. This, then, is the initial epoch of the policy and its attendant liability. From this point do the two values take their departure, marking two sides of a triangle, and both leaving a meridian line at exactly equal angles—and as better described in Jones, p. 1093; "As the number of years increases from the original date of the policy, the present value of the sum insured will increase, and that of the future premiums will decrease. In no case, therefore, will this mode of valuing cause the present value of the future premiums to appear to be greater than that of the sum assured."

Again: referring to the above table, we find that the value of the assurance at 25 is \$377.18, and by the same process as before we learn that the value of the future premiums is \$327.76, showing an augmenta-

tion in the value of the liability of \$36.75, and a decrease in the value of the future premiums of \$12.67, in all \$49.42, equal to the difference between the value of the assurance (\$377.18) at the increased age, and the value of the future premiums (\$327.76) at the advanced age, and the exact measure of the reserve, when tested by the "rule of cost," adopted. Now allow me to make the same valuation upon what is termed the net plan, and mark the result.

The value of the assurance at the initial of the policy has been stated at \$340.43; the actual premium \$17.58, equal to the value of the assurance. But these are the *gross* values. The net value of the assurance was stated in the tables to be \$255.32. The gross value of the premiums, as before stated, was \$340.43; this includes the loading of 33½ per cent of the net premium, the equivalent of which, in the deduction from the gross amount (25 per cent), is \$85.11, leaving the value of the future premiums "exactly equal to the present value of the sum assured." We now proceed to value the same policy at the increased age of 25 years. By the preceding table we find the *net* value to be \$282.89, and the gross value of the annual actual premium to be \$327.76, from which deduct the equivalent loading (25 per cent) \$81.94, leaves as the net value of the future premiums on the policy \$245.82, the difference between the net value of the future premiums and the net value of the assurance being \$37.07, instead of \$49.42, produced by the former process. In fact, calling for a reserve or re-insurance fund of \$12.35 less than that demanded by what I claim to be the proper mode of valuation. Now this \$12.35 is precisely what is needed to meet the expenses incident to that policy for the year—the net premium or net value being \$37.07 to which, if we add the necessary loading to provide for expenses at 33½ per cent=\$12.35, being just equal to the difference found.

Let me illustrate the operation of your rule on a policy just issued at the age of 25. The value of the assurance at the moment of issue is net \$282.89; the actual annual premium is \$20.23; the present value of which is \$356.94, the instant after the payment of the first annual premium. From this "gross" value of the annual premium (ascertained by multiplying the premium by the value of "annuity unity," without the increase of 1, for the reason that the first payment to be made will be a year hence, the initial premium having been paid a moment before), deduct 25 per cent as equivalent to the loading, and we have for the net value of the *future* premiums \$267.71. Subtracting this sum from the net value of the policy, \$282.89, we have for a difference \$15.18, the sum under this rule necessary to reserve on a policy just issued, and for which the company demanded a payment of \$20.23. Or, in other words, showing a clear gain by the company during one instant of time of \$5.05 on the new policy, or the sum which should be held to provide for expenses, etc.

That a company would be safe in reserving but the smaller sum I will not stop to inquire. I believe it would for the reasons given touching the uniform scale of loading adopted by most companies. But inasmuch as a measure of cost has been fixed, I would adhere to that test as the most consistent, and as being attended with no doubts whatever.

I conceive, Mr. Superintendent, that in your report you have unintentionally, of course, impeached or underrated the capabilities of the officers and managers of our life insurance companies in relation to a most vital point, and that it is due to them that the public shall not be misled by any statements or empirical suggestions from any quarter whatever. Your rule of valuation does not demand so large a reserve as the rule I would and do offer, and therefore it cannot be said that I have a special grievance to redress. My motive in thus addressing you

has a far more extended object, as broad and comprehensive as are the blessings which follow in the train of a wise and extended adoption of the practice of life insurance. If the state, or, what is better for this purpose, the national government, is to legislate on the question of a test as to the solvency of our life insurance companies, I might suggest that a commission be created to investigate the vital statistics of the country in which the business of the companies is to be transacted, and fix upon a rate of interest, to which the calculations for premiums should be adjusted, with such a measure of contingent loading as would be deemed sufficient to meet expenses and other incidental charges. This would be all that should be required. Applying this rule of cost to the business of every company at annual or other periodical seasons, a certain test would be always at hand, and the public would then, in the reports of the bureau (which I would have at the seat of the national government), have a sure guide as to where they could secure the advantages of life insurance.

The reasons why I would prefer a national bureau to the present state supervision, are patent to every officer of our present companies.

Life insurance, to be successful, should not be confined to one locality. The business of a company should be extended over as great an extent of territory as possible, in order to equalize, as far as may be, the rate of mortality among its members in seasons of epidemics. A company doing an extended business in the city of New York, and in all the large cities of the United States, would hardly be affected in case of a plague raging in one of those cities, while the others are exempt; the income from the exempt district compensating for any excessive claims from the infected one. It is therefore important that the largest liberty to transact business throughout the whole country should be accorded to our life insurance companies.

Under the present system of state legislation it is very difficult for our companies to so extend their business. Restriction after restriction is thrown up against the work of the insurance agent throughout the length and breadth of the land, as though the business involved some terrible harm to the public, instead of the life-giving stream of joy and gladness that it is to the widow and the orphan. This, to enable the work to go on as it should, and would were matters different, should be remedied by the creation by Congress of an insurance bureau, to which every company in the country should report, to enable it to transact business outside of the state where located. The filing of such report with such deposits in the bureau, as is now demanded by our own state laws, and with satisfactory evidence of solvency as the laws of Congress might demand, should secure to such reporting companies certificates of authority to transact business within any state of the Union, without regard to any state or municipal laws whatever.

You, Mr. Superintendent, are an earnest advocate of the extension of the system of life insurance, and I look to you for important aid in nationalizing this great and rapidly growing interest.

Mr. President, I would beg to remark that, so much of the letter read, relating to a national bureau, is not meant to express views inimical to this convention. The letter was written when we had some hope of such a thing. The coming together of the members of this convention for a work such as has been mapped out by yourselves, affords much encouragement that ere long, we shall be relieved from the difficulties and burdens under which insurance now suffers.

I thank you, Mr. President, and you, gentlemen, for the patience with which you have heard me.

The convention adjourned at 1.30 P. M., to meet at 9 A. M. the following day.

SIXTH DAY.

NEW YORK, *May 30, 1871.*

The convention convened at 9 A. M., at the Fifth Avenue hotel.

Mr. WAILES—I have a resolution which I desire to offer. In offering it, I do not intend that it shall apply to committees at all:

Resolved—That the sessions of this convention held at our rooms at the Fifth Avenue hotel are for the purpose of discussions between the members, and that we do not deem it proper to listen, while here in session, to persons not members of this convention.

Mr. WAILES added: Our friends of the insurance companies have been heard in the rooms on Broadway, and our time has been entirely taken up by reports and listening to addresses from different individuals, which I was pleased to listen to. But I think while we are here we should devote our time entirely to business.

The motion was put on the adoption of the resolution and carried.

THE QUESTION OF ADJOURNMENT.

Mr. Row called up the resolution in reference to adjournment and said: I believe we ought to adjourn on Thursday until the third Wednesday in October. On looking at a calendar, I find that the third Wednesday of October falls on the 23d of the month. That is too late. In drawing the resolution, I thought I was getting it about the fifteenth—I supposed it was about the middle of the month—so that we would have the balance of the month for considering these things and be home at the beginning of November. During November, our blanks could be printed and be ready for distribution by the first of December. That was the intention, but it cannot be done. Our secretary has informed me it will take three days to write up the minutes of yesterday, alone. If it will take three days to get them into print, how long is it going to take to print these blanks that these gentlemen are drawing up? All who have had blanks printed know that none of these can be printed in a shorter period than a week to two weeks at the outside. They are difficult and

intricate work. I suppose we will not be able to get our hands on the blanks in three weeks to come. I think, therefore, that the resolution to adjourn ought to prevail.

Mr. SMITH—I would ask gentlemen to think over this matter of adjournment. The committee of which I am a member (on valuations, etc.,) have had discussions before us on the whole question of the peculiar nature of life insurance and have had well-known experts before us, and we have listened to them for several meetings. The reporter has not yet been able to put before us, in writing that we can read, a single line of all our three nights' work. We have not had five minutes' conversation amongst each other; we have had no time. We have been getting information, listening to these gentlemen as attentively as we could, but I do not know when we will be through. I was glad to see other gentlemen of the convention in our room last night. I hesitated to ask them to leave work of their own committees to hear the things discussed by us, which are of primary importance. You may fix the assets, blanks, etc., as you see fit, but unless our work is done practically and properly, the balance will be of little avail. I would give more for one week with this printed matter all before me at home, quietly—where, if I wanted clerical assistance, I have a trained set of men in my office—than for months here, in the excitement of the city. I would give more for one week quietly at home to think over the great amount of information that we have received, than to stay here. The trouble with me is that I have had no time to digest what I have heard. I have not had time to look in a daily paper. I have not been able to read at all the proceedings of our convention down town. I think we shall be ready to adjourn in a few days, provided we are to take this information home and try to see what it really means. But I differ with the opinion expressed by some gentlemen yesterday, that we would go away with the same opinions with which we came here. I do not think so. We have got a vast deal to learn.

While on this subject, I may allude to what I consider the great trouble in life insurance. It is, in my opinion, an undoubted fact that educated, intelligent, influential business men of this country, as a class, are utterly ignorant of what this thing is. If we can digest all that has been brought before us, and adapt it to practical business requirements, I think in that one thing we can accomplish a great deal of good. We shall then be able to place before the business men of the country such a view as they can themselves comprehend and readily learn. And I assure you it can be done. Men can learn. There is no such mystery in this that ordinary business men cannot learn it. If we can accomplish that with the people of this country—I do not mean all of them, only its leading, influential men to whom the people generally refer for advice, in reference to finance, law and other questions—I believe the institution is safe. You can then conduct your state supervision with some sort of safety. On the other hand, until these men do know all there is peculiar under this thing, all the state institutions that can be devised will not be able to hold this giant. The men interested in the life insurance business must know something what they are about; then they will be able to attend to their own business.

I go back to what I started to say, that our committee has got before them an immense amount of information. The light is too bright for us to see in a minute what is all meant. I am pleased to see the conflict of opinion. I should be startled and alarmed if I saw here evidence that there was a combination to carry peculiar views for any state, and to force us to take conclusions under such an influence. But life insurance officers and actuaries themselves are divided, and if we wait and watch and get further information, I think the daylight will break. The subject will, however, never be reduced to one distinct head.

There will doubtless be much that is crude put into our printed report, but I am willing to risk in it the opinions I have, because I know we intend to come together again, and carefully look over the whole subject. I do not claim to know all, and I ask any gentleman in this convention not to follow me, unless I can convince him. I would rather follow him. We have a vast deal to think about, and if what is done is fairly printed and laid before us I expect to occupy more time this summer, in reducing to form what has been said and done here, than I will spend in the whole course of my business. I cannot, and will not, try to do a thing when I know I cannot. We want more time.

Mr. A. F. HARVEY—Yesterday I was disposed to think this proposed adjournment unwise; that we came here for the purpose of doing something, and I was in hopes it could be done before we left. If a vote had been taken yesterday morning, I am afraid I should have committed a mistake. It is upon this matter of the proposed change of valuation. I have had my mind made up some time as to defects in the present system. But last night, when Mr. Barnes was speaking, a light entered my brain, and I did not know but that I had gone astray. I have never been able to express my ideas publicly, or attempted to argue on any subject of that kind; but I want an opportunity to sit down and take days and weeks to consider this subject, and satisfy myself. I want to be convinced before I ever come to the point of taking a decisive position as to a change in the mode of valuation. I think, if we can, in the course of three days here, adopt a blank for both fire and life companies, that would be of very material aid to us, and we would take a step in the right direction. But I do think this one question of the method of valuation is of the greatest importance that has yet been brought before the convention. The superintendents of the different states ought to know the views of the different actuaries, and be prepared to make up their opinion from their own ideas. I think every speech made last night before the committee should have been taken with some grains of allowance. One gentleman said he was the representative of one company, and he had a special interest—

Mr. PILLSBURY—A partisan interest.

Mr. HARVEY—Yes, a partisan interest. Another spoke freely in controversy of that gentleman's views, and we all know he is actuary and counsel of one of the purely mutual companies of the country. He might not be biased, but I want gentlemen to consider that is his position.

Mr. BREESE was opposed to adjourning to October, the time of year being inconvenient, he thought, for the meeting of the convention; he was in favor of an adjournment till next summer.

Mr. PAINE was in favor of an adjournment till the autumn, though it would interfere with his business somewhat.

Mr. KELSEY, of the committee on blanks, said that his committee would soon be able to report both a life and fire blank.

Mr. NOYES requested that a committee of three be appointed who would suggest what they thought to be some of the necessary changes and amendments of existing insurance laws.

The resolution of Mr. Row on adjournment was then, on motion of Mr. Brinkerhoff, referred to a special committee of three.

REPORT OF THE COMMITTEE ON TAXES, FEES AND DEPOSITS.

Mr. BREESE, of the committee on taxes, fees and deposits, then presented the following report:

Your committee, to whom was referred the subjects of taxes, fees and deposits, beg leave to submit the following report:

TAXES.—That in the matter of taxation, as in other matters connected with insurance, we believe in uniformity and full reciprocity between

the different states; therefore, while we recommend that every state be left to regulate the taxation of its own companies, your committee would suggest that a tax of one and one-half per centum of the gross premiums of every insurance company should be charged in every state, except in the state where it is organized, to be in lieu of all other taxes.

Fees.—For filing charter, twenty-five dollars; for filing annual statement, twenty dollars; for each agent's certificate of authority, two dollars; for copies of records, twenty cents per folio; and for affixing seal and certifying thereto, one dollar; for valuing life policies, ten dollars per million of insurance, or any fraction thereof; and for official examinations, the actual expenses incurred.

Deposits.—Your committee deprecate the requirement of deposits in the various states, as a condition of the companies of other states doing business therein.

In reference to life companies, your committee are of opinion that a deposit should be required in the state where organized, of, at least, \$100,000, to be held in trust for the common protection of all its policyholders.

In relation to fire and marine companies, no deposits whatever are deemed necessary, except in the case of companies of foreign countries; and as to them, we recommend that a single deposit, of, at least, \$200,000 be required in the state where its principal office is located, to be held in trust for all its policyholders in the United States.

(Signed,)

L. I. BREESE,
JOEL M. SPENCER.

MR. CALDWELL—As a member of this committee, a majority of which has just made a report, I would say that I do not concur fully with the report which has been made. I am not prepared now to make a minority report, but will make one at some future meeting.

REPORT OF THE COMMITTEE ON MISCELLANEOUS SUBJECTS.

Mr. SKEELS, of the committee on miscellaneous subjects, then presented the following report:

The committee having in charge miscellaneous subjects, not specially referred to other standing committees, beg leave to report, that such matters as have been suggested for consideration, have been weighed with as much deliberation as the limited time at our disposal would admit, and the following views and conclusions are submitted for the consideration of the convention.

That class of insurance legislation which is termed reciprocal or retaliatory, had its origin in the passage of laws commonly termed deposit laws, which required of companies incorporated by other states, as a pre-requisite to permission to establish agencies, a deposit with the chief financial officer of the state, of securities of designated classes, as indemnity for the proper fulfilment of contracts of insurance. The first state to enact a deposit law was New York, in 1853, but it was applicable only to life insurance companies, and was general in its application to domestic, foreign, and companies from other states. Then followed, in 1855, the deposit law of the state of Indiana, requiring a lodgment of 5 per cent of all premiums received by fire as well as life insurance companies, until the amount reached \$25,000. Other states followed enacting similar laws, all tending to embarrass the employment of capital, and hedging, by legislative Chinese walls, as it were, the usefulness of corporations organized with millions of capital for security and possessing credit beyond question. For a series of years the liveliest apprehensions prevailed least all reciprocity, in the employment of insurance capital, would be destroyed. Indeed, it became evident that a change in the growing evil must take place, or the old and experienced agency

companies would be compelled to retire within narrow limits, and the business be assumed by a class of new local organizations, untried by the ordeal of experience; thus entailing possible and probable disaster to the great commercial interests of the country. But the workings of the pernicious system soon began to demonstrate its ill effects, and we have witnessed the repeal of these obnoxious laws by several states,—California, Wisconsin, and Ohio among others.

We are not prepared to hold that states which have passed retaliatory laws are reprehensible. The fault lies with the states which have placed upon their statute books laws discriminating in favor of home institutions, and laying burdens upon those of other states, in the shape of excessive taxation and forced investments and deposits. Indeed, it may be justly inferred that but for this retaliatory legislation, we should have witnessed in place of repealing clauses, the creation of still more invidious distinctions between domestic corporations and those from other states.

For these reasons, we do not condemn retaliatory legislation, but rather do we reprobate the *cause* thereof. The committee do not deem it necessary to enlarge upon the very able arguments made before the convention by the various committees who have addressed us, showing the ill effects which must inevitably ensue to commercial enterprise and thrift of every kind, if there is not a change in the spirit of the people of the different states which dictates legislation, exacting deposits and imposing severe taxation. It has been convincingly shown, that just in proportion as a state imposes disabilities, taxes and expenses upon insurance capital, so must the property of that state be increasingly taxed in the form of increased rates of insurance. The inevitable laws of trade and commerce will regulate such matters beyond the power of decrees by king, emperor, or legislative enactment. For the time being, a temporary advantage may enure to the state by the collection of an onerous tax, or the making of a market for depreciating bonds, but the unwritten law which unerringly regulates the balances of trade and commerce, will, in due time, compensate itself for such temporary gain. While the country awaits the practical demonstration of these axiomatic propositions, the interests of capital and commerce of every kind must suffer.

It has been demonstrated by the convincing arguments of the very able report of the committee of the Chamber of Commerce, as well as by the reports read before us by the various underwriting organizations, that the security of the policyholder is not enhanced by the segregation of the capital of a company in various state depositories, but the usefulness of the company in possible emergencies, is correspondingly lessened. Your committee concur in these views, and recommend the abolition of all deposit laws so far as relates to American companies. And in relation to foreign companies, we would recommend a uniform requirement for all the states, exacting but one deposit, which shall be made with the state wherein is located the chief office of the company, and by the terms of the law made available for the protection of the policyholder in any state of the Union. We would also recommend in regard to foreign corporations, that laws be passed requiring such explicit annual statements as are required of American companies; and in case any such company exercises mixed powers, the assets pertaining to life insurance shall be separated from other assets; and that it shall be so distinctly stated in all statements and advertisements of such company. If this requirement can be made, and a similar one, applicable to domestic companies, exacting a full statement of liabilities in all their publications, the convenience of the public will be greatly enhanced.

Your committee would by no means depreciate the proud position at present attained by American insurance capital, under the fostering care

of state legislation. Our system of insurance supervision, defective as it is in some particulars, is confessedly far in advance of any of the European systems—indeed Great Britain is to day taking profit to herself, by copying from our system. This is a fact which needs no comment to prove the excellence of our laws, generally, and now, if by mutual concessions, we can eliminate some of the incongruities which exist, and modify the restrictive elements in legislation—securing uniformity in annual statements, so that all companies shall be judged by the same uniform standard, thus in a great degree lessening the probability of irresponsible and fraudulent corporations springing into existence, we shall have accomplished a great good.

The assemblage of this convention presents a novel spectacle. It is the first time in the history of our government when an attempt has been made to assimilate the legislative action of the states, and we are without examples or precedents to guide us in our deliberations, save in the proceedings of Congress which cares for the welfare of all the states. The proceedings of this convention are, in the opinion of your committee, secondary in importance only to a session of the national legislature. For, if wise counsels prevail, we shall be instrumental in moving legislation of vast importance to every business in the country. The interest of which we are the supervisors, embraces corporations whose aggregate assets is far greater than the combined banking capital of the country; and the expenditures for premiums on insurance are estimated to greatly exceed the aggregate expenditures annually for discount at all the banks in United States.

The banking interest of the country has, within a few years, been nationalized, and however great may have been the sacrifice of individual opinion on the subject of merging certain sovereign rights of the states, in the acts which lead to the formation of the giant system, no one will hesitate to acknowledge the convenience accruing from the uniform valuation attached to a treasury note. So may it be, when our systems of insurance laws in the several states are assimilated as it is easy and practicable to do, that a policy of insurance, whether issued or countersigned in New York, New Orleans, San Francisco or Portland, shall at once, upon its production, convey to its possessor and to the public, a sense of security and uniform value, similar to that borne on the face of a treasury note.

Anticipating, therefore, such manifold advantages to ensue from a generous *uniform system* of reciprocal inter-state legislation, your committee would urge upon every member of the convention to return to his constituency, with the determination to advocate *the nearest possible approach to "FREE TRADE" in insurance, consistent with a stringent supervision, which shall guaranty entire safety to the public.*

(Signed,)

C. L. SKEELS, *Chairman.*

Mr. NOYES moved that the report be received and printed, which was carried.

THE QUESTION OF ADJOURNMENT.

The PRESIDENT appointed as the committee on Mr. Brinkerhoff's resolution respecting the final adjournment, Messrs. Row, Smith and Pillsbury.

The PRESIDENT said—It seems clear to me that some things will be definitely reported and, I hope, finally acted upon at this session of the convention. There are other questions which it is quite clear the convention will be unprepared to conclude at this session. It would seem proper to place before the public a general manifesto or paper of some kind, stating why we have determined upon some questions and not upon others.

Mr. PAINE—What subjects do you think can be disposed of now?

The PRESIDENT—Well, the subject of blanks might be settled, not perhaps finally and forever; but the recommendation of some general system which all the states can adopt would be a step in the right direction. If we should meet in the fall amendments could be made, if necessary, to anything we do now. I think we are unanimous in the idea that a uniform system of blanks can be adopted, and will be adopted. Let us adopt it now.

Mr. SMITH—I think this convention will probably be unanimous on two important subjects. One is in reference to the deposit, to be required from every life insurance company, of one hundred thousand dollars in the state where the company is organized. Another is as to whether one responsible known officer is to be delegated to receive certificates of protest, instead of all the agents of a state. My opinion is that we can come to some unanimous conclusion upon these subjects, perhaps, after a little consideration and modification of opinion.

MORTALITY STATISTICS.

Mr. W. E. HARVEY offered the following resolution:

Resolved, That a committee be appointed to obtain the mortality statistics and experience of American life insurance companies, so far as practicable, and that the companies be requested to furnish said committee with the information desired.

Mr. BRERSE moved the reference of the resolution to the committee on valuation of policies, which was done.

RECIPROCAL LEGISLATION, TAXATION, AND DEPOSITS.

Mr. BRINCKERHOFF moved that the report of the committee on reciprocity and miscellaneous subjects be taken from the table. Carried.

The report was taken from the table and read by paragraph.

Mr. PAINE moved that the resolution moved by him yesterday be adopted as the sentiment of the convention, and incorporated in the report in the place of the part of the report referring to the same topic. The resolution is as follows:

Resolved, That reciprocal or retaliatory laws are sinful in their inception, injurious in their operation and in their nature violative of the plainest principles of inter-state comity, and in the opinion of this convention, should cease to exist.

Mr. PAINE said in support of his motion: Revenge is an evil under any circumstances, and it is entirely and utterly unbecoming a great people or a state to put upon its statute books anything that will encourage such an evil. And, besides that, revenge is unjust in its action, because it does not operate exclusively against the individual against whom it is directed. Why should the Union Mutual insurance company of my state be compelled to pay a tax in Illinois or any other state against the violent protestation of that company to the taxing of the companies of Illinois in our state? It is wrong in application, because it does not reach the offender, and has a tendency in its nature to result in just the opposite of that which is intended.

Mr. WEBB moved to lay the motion of Mr. Paine on the table, and expressed himself in favor of retaliatory legislation under certain circumstances.

The motion of Mr. Paine was laid on the table.

Mr. SKELLS, referring to that part of the report referring to deposits, said: I think the deposit system affords but little security. A deposit of one hundred thousand dollars—and the requirement of a greater amount from new companies would be thought excessive,—would be a mere bagatelle in a company of any size. It would not pay over five per cent of some company's liabilities in case of their failure. It is not

a security to the public. And not only that, but it misleads the public. They feel that they are secure, because a company has deposited a hundred thousand dollars in the state treasury, and their eyes are closed to further investigation.

Mr. CALDWELL moved that so much of the report as refers to deposits be referred to the committee on deposits as a more appropriate place for it.

The PRESIDENT—I would suggest an amendment that so much of the report as refers to the subjects of deposits and taxation lie on the table.

Mr. CALDWELL—I accept that amendment.

The motion to lay on the table was carried.

Mr. SKEELS, referring to the part of the report respecting the annual statements of foreign companies, said: I would like to see these companies compelled to make a division of what is real, tangible capital, or surplus, and that part which is pledged exclusively to their customers, in the life insurance branch of their business. I think legislation should be had in the various states which would cure that evil. I think it is within the power of the state legislatures to compel them to advertise the truth instead of a falsity.

The PRESIDENT—This is an extremely delicate question to deal with. The people of this country are wonderfully sensitive about the liberty of the press. The maxim which Mr. Barnes alluded to last night as of great application in Great Britain also applies here—I mean the maxim, "*Caveat emptor.*" People must not assume that everything which is published is necessarily true; and must see to it that they exercise a due caution in deciding for themselves the truth or the falsity of published statements. It is so delicate a question, that I hardly know what to recommend, but it is one to which it is well to call the attention of the public and of the companies.

Mr. SKEELS—There is now on the statute book of the state of New York a law which compels all fire insurance companies, in all their advertisements to the public, to state the capital which they possess, and the place where the home office is located. Now it has struck me that it would be a still greater protection to the public if, in addition to stating their capital and the place of their home office, they were compelled to state their real assets instead of stating what is not real.

At this point the convention took a recess till 3 o'clock.

The convention re-assembled at 3 o'clock and resumed the consideration of the report of the committee on reciprocity and miscellaneous subjects, which were read through without further debate.

On motion of Mr. SKEELS, the report was laid on the table till the report of the committee on taxation and deposits should be sent in. This was in consequence of part of the report having been referred to the latter committee.

REPORT OF THE COMMITTEE ON BLANKS.

The committee on blanks sent in their report. The afternoon was spent in a running discussion upon the form of blanks recommended by the committee, and a number of amendments were made. At the close of the days' session, the further consideration of the document was deferred until next day.

The convention adjourned at 6.30, to meet in the rooms of the Board of Underwriters, at 10 A. M., on Wednesday.

SEVENTH DAY.

NEW YORK, *May 31, 1871.*

The convention re-assembled at 11 A. M., in the hall of the New York Board of Fire Underwriters, the President, Superintendent MILLER, in the chair.

REPORT OF THE COMMITTEE ON BLANKS.

On motion of Mr. WAILES, the reading of the report of the committee on blanks was proceeded with from the point where it had ceased at the close of yesterday's session.

After the reading had proceeded a little while, Mr. WAILES moved that the further consideration of the report be postponed till it should be printed. Carried.

The following is the report of the committee on blanks :

In entering upon the discharge of the duties devolving upon them, your committee feel that they do not magnify the importance of the trust which was assigned to them in estimating it as one of the first in magnitude and one of the most practical of the many questions and topics which were to be considered by this convention.

This conviction had rise in the often repeated expressions of insurance men of all classes—state commissioners, superintendents and other state officials, charged with the supervision of the vast and growing interests of the insurance business in the various states, and of the officials of companies as well, who have devoted their lives to the creation and fostering of these interests. This particular subject has been placed, in the several able and instructive addresses which have been presented to the convention by the immediate representatives of the various branches of insurance, as first in importance of the many unsolved problems of the insurance business as heretofore conducted, some of which, at least, it is our aim and hope to simplify, if not master.

In the forms of blanks for companies' annual statements which your committee herewith submit, it is by no means claimed that perfection has been attained; indeed, we feel confident that our work under the wise criticism and judicious pruning of the many more experienced and able members of the convention, will, upon its final adoption, go forth in a much more satisfactory and perfect state than as now submitted. We heartily invite the closest scrutiny and most earnest, unhesitating criticism to the blank forms as presented, and hope that no motive of delicacy or personal courtesy will be permitted to stand in the way of eliminating such faults, and suggesting and incorporating such improvements as may, and doubtless will, present themselves to the minds of our brethren of the convention.

Your committee feel that it is not their duty, neither do they consider it their prerogative, to express any view, other than may be gleaned from our work, as a whole, touching the manner of conducting the business of insurance, nor the regulation of the same by the states. These topics have been considered by other and appropriate committees, and from their reports we have derived important aid and information. Our charge was to present blank forms for consideration, and upon approval, adoption, the object of which is to enable states and the general public to obtain from the companies a straightforward, complete and intelligible statement of their affairs. That all insurance companies worthy the high public trust confided to them, are at all times ready and anxious to present such statements, is well-known to all who have had official business transactions with them.

We earnestly recommend the adoption of *some* blank form which may be acceptable to all the states, and would suggest that, if the forms reported, or as they may be finally adopted by the convention, are considered by some state officials too voluminous and unnecessarily precise, they may omit such parts thereof as they deem prudent, but that no changes be made therefrom in what they do use save such as are rendered necessary to conform to the special statutes of their respective states. It is conceded that this convention will have accomplished an important work and achieved a reform, the necessity of which has long been plainly manifest, if it does no other work than securing the adoption of one uniform blank by all the states.

Touching one of the features of the blanks common to most if not all those now in use, and wherein we have made a radical change, we beg to be permitted to say a word. The item "premiums in due course of collection," it will be observed we have omitted, and in lieu thereof, inserted two items: 1. "Amount of premiums collected and reported by agents but not yet received at home office." 2. "Premiums due which the company are bound to receive on tender." The latter item is inserted for the accommodation of those companies which allow grace in the payment of premiums; the former we consider as presenting the only condition of premiums not yet paid into the company's hands, but rated as substantial assets, which a true observance of those sound principles which must underlie all successful business, and especially which should be observed in the business of insurance, pre-eminently so in life insurance, will warrant.

It will be noted that, we are supported in these conclusions by the report of your committee on assets and investments, and we have confidence that a candid consideration of this particular feature will secure a general endorsement of our decision.

Touching the matter of a detailed statement of securities of various kinds belonging to companies, your committee would recommend: 1. That, after furnishing an itemized list of all assets on the entrance of a company to do business in another state, the list of mortgages held by a company shall be required to be reported in annual statements only to

the officer having supervision of insurance in the state where the company is organized, and that the company forward to other states the certificate of such officer that such detailed abstract has been properly furnished.

2. That the certificate of mortgages or other securities deposited for the benefit of policyholders, shall be made by the officer of the state where the deposit is made, only after an actual examination of title appraisal and valuation by a person duly commissioned by him for that purpose.

We have gleaned from the many blanks which have been presented by the representatives of the various states, valuable and important information. We have also been kindly aided and advised in our deliberations by the individual members of the convention, for which we here make our acknowledgments.

(Signed,)

HENRY C. KELSEY,
SAM'L. H. ROW,
AUG. E. HARVEY,

Committee.

LEGISLATION.

Mr. NOYES, of Connecticut, moved the following resolutions:

Resolved, That the president appoint a committee of three, to consider and report to this convention, at such time as they shall deem expedient, what legislation they would recommend for adoption by the several states, to secure wise and harmonious action concerning their own local insurance companies, and such others as seek admission from other states.

Resolved, That the president of this convention be added to the above committee, and act as its chairman.

Mr. NOYES said: The convention is evidently not prepared to take action at this time upon that branch of our business,—a branch which affects all the influential companies in the United States, and it is intimated that an adjournment until another month will necessarily follow; if so, it is necessary that this committee should be appointed, and it will be well that the president of this convention should be its chairman, so that persons will know precisely who to correspond with during the interval between this and the next session.

Mr. CALDWELL—I do not fully understand the object of the resolution. I was under the impression that the various questions to be determined by this convention had already been submitted to committees, and until the reports of those committees are submitted and approved or rejected by the convention, I hold that the resolution is improper, and I, therefore, move that it be laid on the table.

Mr. WZBB—On the motion to adopt the resolution, I do not think I would have had anything to say, but if the gentleman from Indiana proposes by his motion to lay upon the table to finally dispose of the resolutions, I must raise my voice to protest against it. And although, Mr. President, it is perhaps scarcely proper to enter into a general discussion of the resolution upon a motion to lay on the table, nevertheless I may take this occasion to say a few words upon a subject suggested by the introduction of that resolution. During the earlier days of the sitting of this convention I remained silent, and I did it because I thought I could best serve my own interests, and the interests which I represent here, by listening instead of talking. But, sir, I have come to one conclusion, and that is, that, in some respects, the work of this convention has been begun at the wrong end. Pertinent to this point, I may refer to the question we have so recently been discussing with respect to the forms of blanks. I submit to you, Mr. President, how is it possible to agree upon a blank form of statement:

until the convention knows the laws of the several states in regard to that subject? It does seem to me that this resolution, proposed by the gentleman from Connecticut, will raise a committee, whose first duty it will be to inquire into the laws of the several states on this subject. I am well satisfied that if each delegate had brought in the laws of his state upon this question, and stated them here, we would have readily seen what was the proper mode of securing harmonious legislation, and I think that to summarily dispose of this resolution is simply to continue the work of the convention as it was begun, so far as legislation is concerned, and so far as uniformity of statement is concerned, by beginning at the wrong end. I compared the laws of two or three of the states last evening, and I find that there are positive provisions in those laws upon this very subject, and some of the questions objected to last evening, are required by existing statutes. They may be useless, but if the law of a state requires them, how can the superintendent of the state do otherwise than use them? It does seem to me, therefore, that the motion to lay on the table should not prevail, and that the resolutions should now, or at some time, be adopted.

Mr. NOYES—It is well understood that any action we may take here will require to be ratified by the legislatures of the various states to be made effective, and at some future time, when the committees have reported, it will be proper to take up and consider the resolutions.

The motion to lay on the table was carried.

THE QUESTION OF ADJOURNMENT.

Mr. BRINKERHOFF—The committee on the subject of adjournment has prepared the following report:

Your committee, to whom was referred the subject of adjournment, recommend the adoption of the following preamble and resolutions, to wit:

Whereas, The proceedings of this session have been rendered especially profitable on account of the presentation of exceedingly valuable papers upon the various subjects before us, by the learned and distinguished representatives of the several insurance and commercial interests; and

Whereas, It is very desirable that the delegates from the several states have presented to them, in printed form, all the information gathered together by this convention and its several committees, and that sufficient time be granted to each one to consider, in a calm and deliberate way, many of the subjects under consideration, before final action is taken in the convention; and

Whereas, Several of the states, deeply interested in all that pertains to the matters before this convention, are unrepresented in the convention, and it is especially desirable that every state should aid our deliberations, by the counsel and advice of those charged with the execution of her insurance statutes; therefore be it

Resolved, That this convention adjourn from Thursday, the first day of June, until Wednesday, the 18th October, 1871, to meet in this city; and that the secretary be requested to have printed, in proper form, all the proceedings, reports and papers; and that he furnish each member with ——— copies thereof.

Resolved, That the president of this convention appoint a committee of three, to whom shall be referred the subject of making this convention permanent; and, if considered by them desirable, that they report at the adjourned session in October a constitution and by-laws for the government thereof.

Resolved, That the president of this convention lay before the proper officials of the several states now unrepresented, copies of all our pro-

ceedings, including these resolutions; and earnestly request the attendance of the several officers, in person or by appropriate delegates, at our adjourned session.

(Signed,)

GEORGE M. BRINKERHOFF,
OLIVER PILLSBURY,
GUSTAVUS W. SMITH,
Committee.

Mr. CALDWELL—Mr. President, I move the adoption of that preamble and resolutions.

Mr. BRINKERHOFF—Before the adoption of the motion, Mr. President, I desire to say that the preamble and resolutions there presented express everything that this committee desire to say on the subject, and have in every respect the unqualified approbation of all. We thought it better to leave a blank, to be filled up with the numbers of copies of the proceedings which the delegates might wish sent to them, as a matter of secondary importance; and I thought we had better have the expression of the different delegates here, before the adoption of the report. If any one has a number to suggest, I hope he will suggest it, and let it be inserted.

Mr. ROW—I desire to make an inquiry. I have learned that one or two members of the convention desire to present papers on different subjects—particularly on the system of valuation, to be included in that report. I would like to ask if the resolutions will prevent them from doing so?—if papers presented in committee or to the secretary can not be included as a part of the proceedings and laid before the convention?

Mr. BRINKERHOFF—I will state that the committee of which I am a member has had various papers presented to them, and various oral communications. They are all now in the hands of the reporters, to be written out; and are to be presented as the report of the committee, accompanied by some suggestions and a report of progress; and the committee will receive, as I understand, from its chairman (and he will express himself if I am not correct,) all papers of that kind and report them to the convention as a part of the report of the committee.

Mr. SMITH—I hope, now that this question is brought up, there will be no misunderstanding at all. I suggested it to the chairman of this present committee on adjournment. We read his resolutions over, and at that time, whilst it seemed possible for a different construction, I alluded to one position and rectified the whole matter. This same committee forms a committee on valuation, of which I am chairman; whilst Mr. Brinkerhoff is chairman of the committee now reporting.

I would desire to say that, this morning I have received a communication from a prominent officer of one of the leading life insurance companies of the country. It has not been presented to the committee, because I have only just received it. It comprises twelve or fifteen closely printed pages. It is proposed by the committee, that we have a conference, and have a reporter with us; and so, without taking up time unnecessarily, to write out carefully and in detail, our respective views so far as we have formed them now, that our informal opinions may go before all of the members of the convention to be by them considered for what they are worth, until the time when we come back. I would regret very much if we were cut off at all in reference to the report now in the hands of the secretary. He has the oral communications made to us; and not one word have we ever seen in writing that we can read. And I desire that it should be understood, that it is left to the discretion of the committee to put in what they have now, and what they may receive, before the report actually goes to the printer and is closed. We want the largest liberty to put in all the information on this vastly important subject that can be gained from all sources, including some of our informal talk.

(Mr. CALDWELL in the chair, *pro tem.*)

Mr. MILLER—As I understand, that is not included in the resolutions.

Mr. BRINKERHOFF—It has been suggested by some parties that the blank be filled with the words "one hundred," copies of the report.

If any member thinks that is too large or too small, I hope he will suggest otherwise.

Mr. PAINE—Had we not better leave that matter of the number to be printed with the officers of the convention. I don't know that we are able to state how many they can furnish.

Mr. BREESE—I think it would be better to leave it with the officers of the convention, to furnish the states as many as are necessary.

Mr. PAINE—I am willing to leave it to the convention.

Mr. A. F. HARVEY—I hope the gentleman will withdraw his suggestion as far as *one hundred* is concerned.

Mr. BRINKERHOFF withdrew that suggestion.

Mr. A. F. HARVEY—I think our honorable secretary and the president of the convention would know pretty nearly what we want. I think, however, that a hundred copies will be altogether too small a number.

The SECRETARY—Five hundred copies?

Mr. KELSEY—I think a hundred copies would be too large a number, as has been suggested by some one. Some states would require a larger number than others. The only use I would have for a large number would be to furnish the companies of my state, and gentlemen connected with the business of insurance with copies. Fifty copies will answer my purpose abundantly.

Mr. A. F. HARVEY—Mr. President, allow me to apologize. I understood a hundred copies in gross; I understand now that it was a hundred copies for each state and each delegate.

Mr. MILLER—I would suggest, Mr. President, that each delegate be furnished with the number of copies which he may request, not exceeding one hundred copies to each, therefore, that the number of one hundred be inserted, and of course any gentleman who says he does not need so many, need not have them.

The PRESIDENT—If there is no objection, so let it be understood.

Mr. WEBB—I desire to inquire of the chair, whether it has been generally understood, that, if there be an adjourned session, it shall be held on the day designated in the resolution. It is the first time that I have heard any time designated, although I have heard frequently discussed the holding of an adjourned convention. For my own part, I do not know as I can attend the convention either here or elsewhere at the time designated. Besides that, if there be an adjourned convention, I do not think it ought to be called in this city—that it ought to go further west. It occurs to me there ought to be a change in that regard. Standing alone from the far west—

Mr. BREESE—You are not alone, sir.

Mr. WEBB—Then I hope the gentleman from Wisconsin (Mr. Breese) will make some motion concerning it. For my own part, I am opposed to the place, and shall vote against the proposition for an adjourned session for the reasons that I have given. I am also opposed to the adjournment to-morrow unless we work to-day and to-morrow. It seems to me to adjourn to-morrow with the prospect of all this business before us, would be a very inappropriate thing to do.

Mr. MILLER—I would suggest, Mr. President, that the day of adjournment be not mentioned in the resolution. It seems to me that there are quite a number of gentlemen here who are entirely willing to remain a day, or even two, if necessary, to come to some conclusion on some points on which we are able to agree. And now, arbitrarily to definitely fix to-morrow as the day of adjournment, it seems to me a little unnecessary. If we must fix a day, I would move to substitute Friday for

Thursday. I think we shall find plenty to do to remain here until Saturday.

Mr. A. F. HARVEY—Can we have the resolutions read?

The secretary read the resolution.

Mr. SKRELS—I now move to strike out "Thursday, the first day of June," and substitute when this convention does adjourn, that it be to adjourn to meet on the day mentioned.

The PRESIDENT (*pro tem.*)—That would be in the shape of an amendment to an amendment.

Mr. A. F. HARVEY—If you will allow me to remark that that might include an adjournment this afternoon, and then we could not meet to-morrow.

Mr. SKRELS—Have it read "when this convention finally adjourn."

Mr. A. F. HARVEY—That this convention do take a recess sometime this week, either to-morrow, Friday, Saturday, Sunday—any time when it does adjourn—but not in the form that the gentleman suggests, "when we do adjourn," because that will mean this afternoon, and we could not meet to-morrow.

Mr. MILLER—I wish to say a word or two, Mr. President, before this motion is put, and particularly with reference to the remarks of our distinguished friend from Kansas (Mr. Webb). I regret very much that the gentleman has seen fit to announce his opinion that this convention has been wrong end first. I regret very much that the proceedings of the convention in which he has been a participant the whole time, and to which he says he has listened with so much attention and pleasure, if I understand him, to the various comprehensive and valuable documents and communications which have been made here—that he considers anything which has been done has been done wrong. I hope, however, that he is the only member of the convention who entertains that opinion. We have divided the subjects of insurance and allotted the different branches of it to the consideration of the proper committees; these committees have attentively and assiduously considered those subjects in their various bearings, and many of them are not yet ready to report the full result of their labors; and when they do, there will have been done a work for this convention, and for the insurance public of this country, which has never been done before. We had to undertake, and we have undertaken, the consideration of highly important subjects, and the collating of facts, and we have drawn out the expression of opinions. We have elicited from the first underwriters of this country opinions which are valuable to this great business interest.

What the states have done is a mere matter of reading. But we are trying to see what we ought to do, as men having some special interest in this business. We can find out whether the states have legislated contrary to the interests of insurance as we conclude, in our humble opinions, that those interests demand. If we have any proposed statutes to recommend, to recommend them. That is all we can do. We understand that. We do not propose to take the statutes of any state and assume a power which we have not, and which any child knows we have not. All we can do, and all we propose to do, is to make up our own minds as to what are the true interests of the public in connection with the business of insurance, and as to what we ought to demand in respect to legislation, and in respect to the supervisory action of the different states. Having made up our minds on these great questions, we propose to promulgate a document recommending action to the legislatures of the different states where action is necessary, and recommending the rescinding of action which has been taken, where such action has been taken, as we think, contrary to the true interests of the people and the insurance branch of business of the country. Now, I say, it was not necessary, or

at all essential, that we should get together, and each man having the laws of his own state in his hand, merely see, when each proposition came up, where it clashed with the legislation of his state. So, in regard to this question of blank form of statement. I take it that this form which we have before us is sufficiently comprehensive to cover every requirement of any law of any state in this union; but, if not, it is no matter, we propose to devise what we consider the right form for the states to allow their officers of insurance to promulgate.

Mr. KELSEY—Will the gentleman excuse me one moment? You will remember your committee so far called attention to that fact, that states which were required to make some change in that blank, by special statutory regulation, could do so without impairing the general effect of the blank.

Mr. MILLER—I receive with great pleasure the suggestion of the chairman of the committee on blanks, I have no doubt it will soon be illustrated when we have this printed form in our hands. That committee, with great patience, and with great ability, has done the work which has been intrusted to them. They have had their eyes open, not only to the necessities of the case, and to the legislation, not only of their own states, but, I take it, to the state of my distinguished friend, of this state, and of all the other states. If not, it is not so great a matter. If there is any particular in which an existing statute of a state requires some item not included in this blank, it is a simple matter for the officer of that state, while that law exists, to insert it. The duty and effort of that committee was to produce blank forms of statements here, such as will elicit the true condition of companies with as little annoyance, perplexity, and cost of labor to the companies as is consistent with the highest regard to the public safety. That is what we are trying to do with this question of blanks, as I understand it. It is not merely to accommodate the blank to existing laws, but it is to accommodate the blank to the great wants of the business public as connected with insurance, and then by recommendation and by effort to try and bring legislation to that standard. This work may go for nothing, but it certainly will not if we all adhere and persevere with determination in the work which we have set before us to accomplish.

Now, gentlemen, in respect to this question of adjournment, I hope that at least Friday—I should prefer Saturday—will be named, if any shall be named, for the day of adjournment. But as I have offered the amendment which is now before the convention, naming Friday, and Mr. SKELLS, representing California, has suggested another amendment. I would accept and adopt his amendment—that when this convention adjourns it shall adjourn till October.

Gentlemen, I for one, wish to say another thing on the place of meeting. I wish it distinctly understood, that I suggested Chicago as the place for the adjourned meeting. I wish it distinctly understood that, the suggestion of re-assembling in this city never came from the representatives of the state of New York; and this committee have adopted this place as the place of meeting without any consultation with me, and without any intimation from me that it would be agreeable. Therefore, I hope that the gentlemen will not consider, for a single moment, that I have had any hand in that; but I shall cheerfully go for the re-assembling at any time and at any place that will suit the convenience of the greatest number here present, and will also serve the general convenience. Gentlemen, do not come here under any constraint. Let us meet when public interest, and where general convenience of the convention will be best served. I will go to Chicago, or St. Louis, or Topeka, or any other place to carry out the objects of the convention. But if you will stand with me, gentlemen, hand in hand, until we have arrived at some different conclusion, on all these subjects, I do not believe that any

of you will ever regret having assembled here in this convention, or having agreed to re-assemble and continue in session until a completed work has been turned out. I believe that your own companies will endorse fully your action in this matter; and that you will be satisfied if you have contributed in the slightest degree to produce that uniformity which we hope will be the result of our labors; that you will be satisfied with the result of our labors; that you will be satisfied that it is one of the best works in which you have ever been engaged.

Mr. BRINKERHOFF—I desire to say, Mr. President, in support of the resolutions which this committee have presented to this convention, that so far as the day of adjournment is concerned, it is an immaterial matter—that the committee, after consulting with a very large number of the delegates, found that in all probability by Thursday night, at the furthest, so many delegates would go home, that on Friday morning there would not be a quorum. And I think if the members of the convention look round they will find that this is true, and that by Friday morning there will not be over ten, possibly eleven delegates here—if that many. I have no feeling on the subject whatever; neither has any one of the committee, except that some of us must go home. We must do that whether the adjournment is fixed for to-morrow or Saturday. Many of us are come unprepared to stay longer than a week; some of us, as I understand, not to stay a week, not to stay over three or four days. We did not suppose it would be necessary to stay over that time, to inaugurate the work of the convention. But we have staid here eight days. It will be nine days to-morrow evening. We find that we have enough subjects presented to us; and we have heard enough on the different objects which are before the convention, to keep us thinking some time.

Mr. W. E. HARVEY—It is almost half-past twelve, as I am warned by the clock; and I will make my remarks to the point. I have one objection to adjourning on Saturday; because we will have no quorum for to-morrow. So far as the place of meeting is concerned, the committee did not consult the honorable gentleman from New York, Mr. Miller. But as the meeting had been called here at first, and as the meeting this fall is nothing but an adjourned meeting, we thought it best to hold the adjourned meeting or session in the same place that the first meeting was called. I now, as the representative from Illinois, put in the claim that next year, if this convention be made permanent, we meet in the city of Chicago.

Mr. WEBB—I may have been very unfortunate in expressing myself, as I am sometimes. But I did not intend to include, in my remarks concerning the work of the convention, any of the papers or reports from the distinguished gentlemen who have furnished us with information—for which I feel thankful myself—and which, indeed, have been very gratifying to us.

I do not regard that as by any means beginning at the wrong end; but in regard to the work of this convention, so far as the suggestions of uniform legislation are concerned,—a work which necessarily grows out of the various supervisory departments under the present legislation,—I entertained the opinion which I expressed—that we are beginning at the wrong end. I still entertain that opinion; but as it has now been suggested by the chairman that this is no time to discuss this question, I will not trespass on the good nature of the convention at this hour, by any further explanation.

Mr. A. F. HARVEY—I am admonished by the hand of the clock that I must speak briefly. But as my friend from Kansas (Mr. Webb), has intimated that he is the *western* representative, I may say that I am from a section which is by latitude just six miles west of him. The only gentleman—

Mr. WEBB—He lives four hundred miles east of me!

Mr. A. F. HARVEY—The only gentleman west of me is Mr. Skeels, from California, who is, I believe, a citizen of New York.

Mr. SKEELS—I am a proxy.

Mr. A. F. HARVEY—I am a proxy, too. I am here from the little one-horse state of Nebraska. I wish to state this, in lieu of any other speech that I may make—that instead of beginning this convention at the wrong end, I came here with my mind made up as to what was to be done, what it was necessary to do, how I should vote, and so on. But I found out after I came here that I would have voted wrong every time. [Laughter.]

Mr. NOYES—One single word. I do not consider that the committee could possibly suggest any place to meet on adjournment, except the city of New York, after the generous hospitalities of the insurance companies of this city. Now, I consider that the committee made a very delicate and a very proper recognition of the hospitalities of those insurance companies, by suggesting in the resolution that the convention adjournment should be held here. And, therefore, it is impossible to talk of its being held anywhere else.

Mr. SPENCER—I have occupied four or five minutes altogether in speaking in this convention since we first commenced our session; but I would like to make a very few remarks. I ask the indulgence of the convention for that purpose, and my remarks will be entirely of a personal character. I refer to the fact, that I shall be unable to be present after this days' sessions. When I received notice from the superintendent of insurance of New York, suggesting this meeting, I promptly forwarded to him my views in regard to the matter. I said that I had no doubt it would be a success; and I am still of that opinion. Still I must say that I sympathize with the views of the gentleman from Kansas, Mr. Webb, in some respects. In reference particularly to this matter, it strikes me, although the matter in regard to the uniformity of blank statements is the great question—is the great subject for which all have met, and of great importance—it strikes me that the matter should be the last matter for consideration. The adoption of the uniform statements or returns on the part of companies should be the last thing that we should do, as a convention, this year. I am in favor of the adjournment of this convention, and I am in favor of its being in New York; I am very much pleased with New York, as represented by the committee from the Chamber of Commerce, and from the Board of Underwriters, and from the life insurance companies of the city. I think that the remarks that we have listened to from these gentlemen, the communications that we have received from these different parties through them, have been of great and incalculable advantage to us, as members of this convention.

And, sir, allow me to say, that there is a locality farther east, which would be a fine place for the assembling of this convention—and that is the city of Providence, the capital of the smallest state of the union, as regards territory, but not the smallest as regards its resources or its wealth—allow me to say it with all due delicacy. And, sir, if this convention would accept an invitation from the representative of that state, to meet in the capital—in Providence—we would give you what I think, judging from the capacity that we have shown at entertainments that have gone before—we would give you a genuine Rhode Island clam bake. [Laughter and applause.]

The question was then taken on the adoption of the amendment offered by Mr. SKEELS, of California; and carried.

The question was then taken on the adoption of the resolutions as amended and carried.

The convention then adjourned till Thursday morning at 11 A. M.

EIGHTH DAY.

NEW-YORK, June 1, 1871.

The convention re-assembled at 11.30 A.M., the president, Superintendent Miller, in the chair.

On motion of Dr. Atchison, it was resolved to limit the speeches of delegates to five minutes each during the remainder of the convention.

RE-INSURANCE RESERVES ON FIRE RISKS.

MR. C. C. HINE was then introduced, and read the following paper on "Re-insurance Reserves on Fire Risks:"

What is the proper basis for reinsurance reserves on fire risks, short term, annual, and long term?

There is less intricacy in the calculation of fire reserves than in those of life.

The amount charged for a fire insurance is the agreed price of insuring the risk for the term named in the policy, plus expenses, of course. This is the vital distinction between fire and life insurance, so far as the calculation of reserves goes.

It is worth just as much to make a reinsurance on a risk for its unexpired term as it is to make an original insurance for the same term.

It is worth as much to insure a certain sort of risk one year as another. It is worth five times as much to insure it five years as to insure it one year. It is worth half as much to insure it half a year as a whole year. Nevertheless, short rates, as we call them, are charged for terms less than a year, (short rate is a misnomer, however, because the rate for a period less than a year, instead of being "short" of the *pro rata* of annual rate, is a large advance upon it!) and less than five times the annual rate is charged for a five-year policy. This, however, is because it is as much expense and trouble to survey a risk, and issue and audit a five-day policy upon it as one for five years, and *per contra*, no more for the five-year than for the five-day policy. Retail prices are higher on the same goods than wholesale, the world over, and *vice versa*. These facts are accepted as fundamental by the fire-insurance people, and if they are borne in mind, will simplify the solution of the question of fire insurance reserves.

We must assume, for the purpose of calculating reserves, that the rates of premium charged by the companies, are adequate rates. These rates vary in different localities, being influenced by the construction of buildings, the width of

streets, the efficiency of fire departments, the supply of water, the police, the state of trade and, too frequently, the vigor of competition among those who seek the business. There have never been any "mortality tables" made up from the combined experience of fire companies. The materials therefor have not been deemed congruous by those who have classified them. In point of fact, one company may be actually charging rates that yield a handsome profit and another may be doing the opposite, but there is no accepted standard, and we will be compelled to leave the question of the adequacy or inadequacy of rates charged by particular companies for the logic of events to decide, and assume that they are correct, for the purposes of calculating reserves.

What portion, then, of the premiums on unexpired risks should be reserved for reinsurance? The old New-York rule has received the endorsement of many of the best minds in the profession, and is undoubtedly as equitable as any that has been practiced. It is simply *fifty per cent of the premiums on unexpired risks having one year or less to run, and a pro rata of the premiums on policies having more than one year to run.*

Absolute accuracy would be attainable only by a *seriatim pro rata* calculation upon all the policies, but this would be a very great labor, as many of the larger companies issue from sixty to eighty thousand policies per annum, and absolute accuracy has never been held to be essential, because the contracts for fire insurance, unlike those of life, are SHORT. It is thought by some that they do not average a year, the short risks on grain, cotton, pork, merchandise on the wharfs, &c., for five to ninety days, balancing the dwelling-house contracts which are for three to five years in many instances. Hence, only an approximate accuracy in the calculation of reserves has been held to be necessary.

The annual policies issued, prior to July 1st, would have, when the end of the year was reached where the reserves are calculated, less than six months to run; those issued after July 1st would have more than six months to run; but it is assumed that the average unexpired term of pending annual policies is one-half the year, and hence that fifty per cent of the original premium is the proper liability for reserves on such policies. Short term policies pending December 31st, are included in the same rule, their average in a current business being also one half.

Exceptions to this rule are found in a new company, or one whose business is rapidly increasing month by month, and in a company that has ceased business and is letting its risks expire. In the first case, the average unexpired time would be much more than half-a-year. In the latter case it would be much less; and the amount actually required to re-insure would be very different in the two cases.

Long term policies, if the business were a settled one, and had been prosecuted by a company for five years or more with tolerable regularity, could be disposed of in the same way; but this business is one that has attracted more and more attention from the companies, and has been steadily on the increase for a number of years, so that even in the older companies it would perhaps not be correct to put them upon the fifty per cent basis. They should be grouped according to the periods for which they were issued, and the dates of their expirations and *pro rata* calculations made upon them accordingly.

The result of calculations on the basis of fifty per cent has been found, by observation, to be about forty per cent of the premiums received in a given year, and that has been adopted in some cases as the measure of the reinsurance fund. When we remember, however, that it includes in its basis the premiums on expired risks (short business done within the year), we conclude that the forty per cent is rather a coincidence than a mathematical basis for calculating the reserves. Nevertheless, it is a check of great value. If fifty per cent of premiums on unexpired risks be adopted as the general basis, there should be a proviso that the sum reached by such calculation should not be less than forty per cent of the premiums received during the year; some of the best men in the profession say forty-five per cent.

Many of the better companies keep general expiration books, in which all their business, local and agency, is written up day by day. From these they

can tell what their expirations are for each day in the current year, and (on long business) for each day in the years beyond. Something nearer absolute accuracy in the calculation of reserves could be reached by a requirement that all companies should keep such expiration books, showing, among other things, the amount of premiums on the expirations of each day. By a *pro rata* calculation on these daily footings a result could be reached much nearer mathematical accuracy than by any system now in vogue.

The address of Mr. Hine was referred to the committee on valuation and reserve.

ADDRESS OF THOMAS S. LAMBERT.

Mr. KELSEY moved that Thomas S. Lambert, president of the American Popular Life Insurance Company, be requested to address the convention. Carried.

Dr. LAMBERT then spoke as follows:

Mr. President and Gentlemen of the Convention:—In the remarks which I shall make to you, I desire to be considered as representing not specially the company of which I am president, but a class of ideas, the importance of which is so great, and in which I feel so deep an interest that I wish to lay aside all personal feeling, and address you from a purely scientific standpoint. Every one who has had the privilege of observing the proceedings of this convention, must have been profoundly impressed with the honorable spirit of inquiry, mutual concession and mutual respect which inspires its individual members, and the happiest results must flow from its sessions.

I speak to you, gentlemen, as what I shall term a "hygienic actuary," that is to say, as one who combines a knowledge of the science of life with that of actuarial mathematics, and who is thereby enabled to measure correctly the probable length of healthy lives—usually called "insurable"—just as the pathological actuary can estimate the probable length of insured lives.

I may dwell upon this point as one of the class of ideas that I wish to present before you. The functions of a hygienic actuary, to be most effective, should—indeed, must—be combined in the same person. It is, in fact, almost impossible to separate them entirely, and have each performed by distinct persons. When this is attempted, as is generally the case, we often find the medical examiner arguing upon the probable length of life of an applicant, and conjecturing his rational expectation. We perhaps still oftener find actuaries busy with the problems of life, not mathematically only, but deeply interested in legitimately and logically developing and applying the science of life, making correct and useful observations and deductions based upon the facts of actual life, brought under their notice or forced upon their attention. Mr. Homans, in his admirable paper before the Social Science Association, exhibited a great truth that I have always maintained: that men, in insuring, are very much governed by their instincts; and he illustrated the important fact by showing that applicants usually, or upon an average, instinctively choose those kinds of policies which are most for their interest.

There is no objection to having the mere mechanical work of either function performed by distinct persons experts in but one. A medical examiner may be ignorant of actuarial mathematics, yet competent to distinguish sound from unsound applicants. But if he does not know the expectation of an applicant's age, nor what it will cost to insure a class of such persons, he certainly goes beyond his province when he recommends a person as "insurable." Often, when such an opinion has been given, an examiner, being asked, has replied that he did not know what the "expectation" of the person's age was; and when told, and asked if the party would live as long as the expectation, has quickly replied, "Not a single chance for it!"

In the same manner the mathematical actuary would often vary his computations materially, if he fully realized the probabilities of a class of lives similar to the one for which he is computing a premium. Suppose the person to be thirty years of age, and the actuary to be informed that he is insurable for not more than fifteen years, the actuary would not, as is generally done, give him

a "combined term and endowment" "fifteen-year policy" as at thirty, the premiums of which are computed as for one whose "expectation" is thirty years; but the actuary would enforce upon such a person a premium as at fifty-six years of age, which has an "expectation" of fifteen years, during which the ratio of the living and dying will usually be similar to the probabilities of the person of thirty, who has but fifteen years probably before him. If the actuary gives him the premium of thirty, no matter of what kind of policy, it is too low; and in this way tens of thousands of applicants have been insured at premiums that are sure to net a loss to the companies that have thus done their business.

It will be just as scientific and proper to give him an annual for life-payment policy, as it is to give him a term and endowment at thirty. There is no objection to giving either at fifty-six, for the premium of that age in each case is a premium for fifteen years at the close of life. True, there are exceptional cases in which persons at thirty, having but fifteen years to live, probably have no more probability of dying during that time than the average of people at thirty, but that is not the rule.

The applications to a company should pass not only under the critical eye of an examiner and that of an actuary, but be subjected to the analysis of a person in whom both functions are combined. In other words, actuaries should become students of the science of life; and examiners at the central office should not have their duties merely incidental to a general practice, but should be devoted to them exclusively, and fitted for them by adding to a thorough knowledge of life a good knowledge of actuarial mathematics.

I will briefly touch, singly and collectively, upon only three other of the classes of ideas to which I have referred:

- 1st. The stock idea.
- 2d. The mortality idea.
- 3d. The interest basis of valuation; all of which bear very strongly upon the security of life insurance.

A very incorrect idea seems to prevail generally in regard to the meaning of the word "stock" as applied to a company. Some suppose that this name excludes any making of returns or dividends, and that, if they are made, a company becomes "mixed" if it has a capital, and "mutual" if it has not a capital.

This is a serious error, leading to a very pernicious misunderstanding and conclusion. The fact is, most "stock" companies do make returns and dividends; for the "return premium policy" exhibits a return or dividend by increase of insurance, etc. The great truth is, that whether a company is stock or not, depends upon the use made of its capital.

If the true character of a stock company was understood, much misapprehension would be removed; for it is evidently not intended nor desirable that its capital, nor any part of it, should remain on hand; for it is, by this use of the capital that it is able securely to make its premiums lower than those of "mutual" and "mixed" companies, which permanently invest no part of a capital, but make premiums large enough to cover all cost of insurance. Indeed, is it consistent to say that any part of the capital of a stock company should be reserved for security of the policies, when the reserves legally required upon them are sufficient? If they are not, let the basis of computation be corrected; but do not say that a reserve of a per cent of capital is needed. A larger capital than is needed for construction of business is not, of course, desirable, as it is an expense if unused, and had better be withdrawn for a more active use; and if used for the purpose of constructing business, or to make good the reserves for the time being, it is not properly to be called impaired, but invested. If any part of it must be reserved, it is evident it should not be a per cent of the whole, but a per cent of the business, since it is supposed to be reserved to secure business.

If such additional reserve of capital be regarded as essential, one of the chief advantages of a stock company in favor of security will be cast aside; since the lower premiums that the construction use of capital permits attracts the best class of lives.

For example: if a first-class risk of twenty-five years of age finds his premium upon \$1,000 will be \$20 annually for life, he at once computes at full interest, the full amount to be paid by him, if living as long as his oldest ancestor did, and is surprised at the magnitude of the result compared with the littleness of the assurance, even if increased by the most liberal suppositions ever made by an agent, and he turns from insurance with disgust; while only inferior risks will gladly pay the \$20; \$15 would be more attractive to the best class, especially if there was also a hope of an after-return to the long-lived. As good business would thus be secured, inferior risks would be discarded, or enforced to pay an adequate premium. While, if the premiums are large, the necessity for doing business, and the belief that the premiums are large enough to cover almost any case, tend to load a company with inferior risks. That is to say, the lower premiums of stock companies would be likely to attract and secure a larger proportion of superior risks; while the larger premiums of "mutual" and "mixed" companies would tend to secure risks that, after a little time, will produce an unfavorable mortality; while the apparent large surplus produced for a few years, by large premiums, encourages a lavish expenditure.

But the stock idea also tends to a better selection, because of the pecuniary interest concerned in producing a low mortality. Especially will this be the case if all the agents, examiners, etc., concerned in making a policy have an abiding pecuniary interest in the transaction, which should always be the case.

One of the ideas that I would urge is, that no flat commissions or brokerage should be given to an agent, but that every agent, every official, and especially every examiner, should have a pecuniary interest in the result of every case he assists in insuring.

But it may be asked: can the mortality of a company be controlled to any practical extent?

This leads us directly to our second practical idea, important not only, but essential to security—*i. e.*, methods of securing a favorable mortality in a company.

Doubtless every member of this convention was surprised, as everybody is, when he first learned the fact that the tables of the experienced mortality of companies—actuaries', American experience, etc., exhibited a greater mortality, not at every age, but in the aggregate, than the tables of the mortality of the people at large—Carlisle, Farr's, etc.; and the exclamation generally is, what then is the use of the selection made by the companies? But it is supposed that without it the result would be still worse. It may be said, in excuse, that the tables of "experience" are, in truth, made with a larger mortality than the facts show, in order to allow for extraordinary occasions. While this is doubtless true of some companies, it is not of others, which evidently have a greater mortality than any published experience table exhibits.

The facts upon this subject of mortality show that it is the most important of all in regard to security, and that the science of life must be applied to the transaction of life insurance business, or it cannot permanently prosper. The science of life, as practically applicable to insurance, or to every-day business life generally, is not a mystery, nor in any respect occult, but is easily learned and applied by any apt scholar constitutionally adapted to make accurate observations and deductions. Precisely that is true of vitality and longevity indications, which in the following extract, is tersely expressed by the editor of *The New York Standard*, in regard to the subject discussed in your committee meeting. He says:

"The debate of actuaries in the presence of General Smith's committee on valuations, which was held at the Fifth Avenue Hotel, on the evening of the sixth day of the session, and protracted until two o'clock in the morning, was probably the most important one of the kind ever held. It resulted in proving, we think, to the satisfaction of the convention, that the hitherto supposed mystery enveloping the business of life insurance is in fact no mystery at all, and that, by the exercise of a little common sense, all the rubbish which has accumulated about the questions of the rate of mortality and rate of interest can be swept away, and the ground left clear for future business."

Your blanks, gentlemen, should question the companies upon the causes of deaths experienced, and compiled tables should show the ratio of inherited constitutional and other diseases with which the insured die, and the number of premiums each deceased person paid. If you shall require from each company copies of blank applications, and of those filled by applicants taken at random upon numbers that you shall give, you may be able to compile a more perfect application than those of any company; and, by noticing the applications, you can judge at least somewhat correctly the character of the risks insured, and thus reach approximately a sound judgment upon the first element of security in a company: *i. e.*, its kind of risks; for it cannot be denied that a superior class of risks is the best asset that any company can possess, since the greater the number of future premiums receivable, the less the amount of reserve needed in addition, to equal the assurances promised. In fact, if the future premiums receivable will more than equal assurances, even a negative reserve is not only compatible with solvency and perfect security, but the conditions permitting this negative reserve are the most desirable of all things in life insurance toward producing prosperity to a company with the least expense to the assured. It must not, therefore, be overlooked, that any legal assumption, that ignores the kinds of risks insured, fails to recognize and to use not only one of the most valuable, but one essential means of inducing security. You may reply that, however important this matter may be, it would be too difficult—indeed, utterly impossible—to examine each case in the companies so as to form a practical judgment upon the character of the risks insured, that therefore a mortality table must be assumed high enough to cover the risks that any company will have, and allow each one to do as much better as it can or will. But to seek security without ascertaining the character of risks, appears like the play of "Hamlet" with Hamlet omitted. In fact, this plan of a high assumption cannot but thwart the very object in view, since the high mortality necessitates a high premium, repelling the best risks, which, at ordinary premiums for all persons insured, are the only salvation of the company. Take an extreme case for illustration. If, on account of high mortality, low rate of interest, heavy loading, or all combined, a person of thirty years of age should be charged a premium of \$100 per \$1,000 assurance, annual for life-payments, would he accept a policy unless almost sure that he would die in a few years at farthest? Of course not. Is it not evident, without argument, that the best risks are the best element of security? Is it not evident that whatever attracts them is of prime importance in attaining security? Is it not evident that large premiums will repel and smaller premiums attract the probably long-lived? Will not, then, the latter induce a security under small premiums, which will become less and less probable the higher the premiums are made? And will not greater reserves be necessary when the future premiums are large, than when they are small, if they have attracted extra good risks?

If the character of the risks is not inquired into, but assumed, is there any use of going farther? May not everything else be equally well assumed to be sufficient? If the moral and intellectual assets of a company are assumed to be sufficient in regard to character of risks, why distrust them upon matters of less moment? If the risks in a company are inferior to the assumption, is there any security?

May I not, then, argue again that in one way and another you can ascertain, and easily, for all practical purposes, if a company is insuring risks below the mortality table upon which its premiums are based?

You may, for instance, inquire how many of the insured of each company have been taken upon "combined term and endowment" policies, or upon five, ten, fifteen, or twenty payments, who would not be taken upon the annual for life-payment, at the same age. This would at once, in some cases, reveal a remarkable number of inferior lives, which are now assumed by the departments to be at least average good. Also, you might ask, how many are insured for small, who would not be for large amounts? This would also assist in bringing to light a very important fact—*i. e.*, that all the companies think that they can and do distinguish differences in sound and insurable lives,

although most of them do not express the fact in a very scientific, and certainly not in a very equitable manner.

This fact of distinctions being made would at least put a lasting silence upon those who, ignorant of what may be and is done, absurdly assert that applicants for insurance are divisible into only two classes: those who are insurable, and those who are not.

What is the process by which this division into two classes would be made? The same precisely by which sound lives are classed; and it is much easier to distinguish between three, four, or five classes of sound, or of unsound lives, than it is to distinguish between incipient unsound and truly sound risks. To do that, is often insuperably difficult. I may appeal to any one in this room if he cannot, from those present, select risks more desirable than others, all of which would properly be called insurable?

Is there any way in which life insurance can be made secure, or offered to all to whom it would be useful, except by commencing at the foundation, and classing lives or risks according to their vitality and longevity characteristics, and first or last adjusting to each class its own cost, holding out the inducements of equitable advantages to the best class, either by low premiums, increasing assurance, or partly by both, and enforcing upon the inferior risks an adequate but entirely equitable premium?

True, it may be said—and it is not denied—that the very best class in this case may be selected and called the insurable, and all the others discarded. Thus, but two classes might be made, and one premium might be applied to all persons of the same age. But this would exclude three-fifths, if not three-fourths, of those now insured, and insurable with perfect propriety, at a practical premium all the way from a little to very much higher than is ample for the first class. Nor is there any practical objection to conferring the great benefit of insurance upon all classes of lives, attracting the best and inducing the inferior risks, since the classing of them is very easy.

Upon my left, for example, there sits a gentleman whom I do not know, not has he probably seen me before, yet I can perceive, by his life-indications, that his ancestry upon both sides reached a very high longevity—eighty to ninety years, and some to a hundred, or nearly that age.* He nods assent. "Apoplectic," whispers one. Not so. It is a popular fallacy, that a corpulent person with short neck is apoplectic. More spare persons having long necks die of apoplexy. At least, if you inquire, you will find that none of this gentleman's ancestry has died of apoplexy; and he resembles them very much, especially his mother's father, whom he "takes after." He again assents. "How do I know these things?" Easily. When the color of the whiskers is lighter than the eyes and hair, the person "takes after" the mother's side; and if the shoulders are broad, the mother's father; while, with the like relations of color, if the neck is long, the shoulders sloping, and chest less developed, the inheritance is chiefly from the mother's mother's side. (Several other illustrations were made from those present.)

A written history, with a complete personal delineation in an application, equally furnishes all the data by which a competent person can do, as one of your honorable members—Dr. Atchison, of Tennessee—said he always wished to do when deciding upon the acceptance of a case, "from the description, throw up before me a picture of the applicant, and look at him as if he were present," and, from the points presented, determine the relative risk of the life. If this can be so easily done, will any one argue that there is any necessity for insuring such gentlemen as this one upon my left at ordinary prices, and classing him with ordinary and inferior risks, the losses among whom he must then inequitably share? Look at the relative length of his trunk! One glance is alone almost sufficient to decide the desirable character of the risk. His instincts have always assured him that he will probably enjoy a long life;

* It is but fair to remark in this connection that the gentleman here referred to by Dr. Lambert told the undersigned that he had never seen the speaker before, but the facts concerning his family were exactly as herein stated.
H. S. O.

and only the most strenuous circumstances will induce him to insure. If the bases upon which his premiums are computed are altogether disproportionate to the facts in his case, at least unless he is classed so as ultimately to receive his appropriate advantages, he will reject insurance. This leads us naturally to our third point.

3d. Proper interest basis of valuation.

It is not necessary to demonstrate before this audience the relations of interest assumed, to premiums and reserves, since you all know that these latter are the products of the former, and, the larger that is, the smaller are they, and *vice versa*. Yet few truly realize the magnitude of the effects of compound interest, and still fewer perceive the injustice, insecurity, and extravagance naturally resulting to insurance from the low rate assumed by the law. Indeed, such a false view is taken, that, in the legislature of one state last winter, it was proposed to reduce the rate to three per cent, in order to promote security; which was like Sangrado's doctrine—to bleed his patients the more the weaker they grew.

Doubtless, every gentleman present, like everybody else, has wondered that four per cent should have been assumed—at least, should be continued—when it is so evidently wrong, scientifically (morally it is still worse). But its effects have been overshadowed by the argument of security, which has been accepted without examination as being sufficient, whereas security lies in the opposite direction; and this low-rate law, like almost all other laws, has the public good as a pretence, but some other reason in fact.

First, the four per cent basis was easily copied literally from the English companies. The principle of those, however, was to assume the *highest* rate of interest receivable. Second, it is easier to continue a habit than it is to familiarize our minds with new computations. Third, the inertia of the mind is in favor of that which has been, which it calls conservative, while often it is merely a car of juggernaut. Fourth, but probably the greatest reason for adopting and maintaining the low rate, was, that much of the assets of most of the companies, years ago, were not in cash values, and it was thought best to require so large a reserve that the cash part might go as far as possible toward paying liabilities. As a man, when asked why he had sold a dog for ten dollars for which he had demanded but five dollars, replied, that he was obliged to accept payment in one worthless small dog at five dollars, and therefore only received five dollars of value. But this temporizing has only made things worse rather than better—as it always does. Certainly, where the reserve exists in all cash values, any argument in favor of a four per cent basis for reserve is a *non sequitur*, and is productive of a tendency to injustice, and, of course, to insecurity, as I will illustrate by a few facts. In seventy years (from twenty-five, to ninety-five the endowment period of New York state whole-life tables), money nearly doubles by the effect of each additional per cent rate of interest. \$5 becomes nearly \$9, \$18, \$37, \$75, \$150, \$300, \$600, \$1,200, \$2,400, \$5,000, at from one to ten per cent. The difference between the four per cent interest of England and the eight per cent of our western states is the difference between \$75 and \$1,200. Shall, then, the necessities and the results in the two countries be computed upon the same basis? The statement is itself a *reductio ad absurdum*.

Again, if twenty-five annual premiums have been computed on the basis of four per cent to cover assurances, are not twenty of such at six per cent much better? That is, if six per cent upon them is in fact receivable, a young company will find in twenty of its future premiums more than enough to cover its liabilities, and will be more than solvent without a dollar of reserves. A negative reserve, even, is not insolvency to a young company, especially if it have a large proportion of truly best risks—the best assets of any company except it may be those moral and intellectual assets which will enable it to get more risks of the same kind. At least this must be allowed, and this is all that it is desirable to show, that a young company having legal reserves absolutely not needed, is relatively much stronger than old companies that absolutely need most, or all, of their reserves! It is also evident that a young stock company

does not need any reserve of capital in addition to a reserve covering its policy liabilities, and that, instead of being charged with such a reserve of capital, it ought to be credited with an investment of capital. Is not, then, any legal fiction which by word or implication tends to weaken confidence in any company that is really strong, a legal libel, that is quite as much to be condemned as if a similar baseless reproach had been uttered by a private person?—indeed, more to be reprehended, because there is a remedy against the private person, and also because such a law militates against not only the given company, but against the cause of insurance.

Whatever is morally or scientifically wrong, tends toward insecurity; whereas, whatever is morally and scientifically right must support security.

For instance: upon the statute-books of any state ought there to be found such egotistical and unjust laws as those limiting investments to certain sections, ostensibly for the protection of policyholders, but really to affect the demand for state stocks, thus withholding from widows and orphans a larger interest, under the pretence of serving them? All the "ways that are dark and tricks that are vain" have not been monopolized by the "heathen chinee."

One word upon surrender values. Is it not evident that these should be governed in part by what has been paid into a company, especially if the premiums have been computed upon bases of mortality greater and a rate of interest less than the real facts warrant? Ought not also the condition of the individual, as well as that of the company, to be considered? In short, ought not a person to be examined as much when he takes out a surrender value as when he takes out a policy from a company? How can the company know what it can afford more in one case than in the other, without it has the facts developed by an examination?

A word may also be said in this connection upon the idea that an insurance company is a depository, like a savings bank. It is not. It has none of the functions of a savings bank, properly speaking. All the functions of an insurance company are insurance functions, more expensive than mere depository functions, as they are more valuable to the persons who are profited by them.

In conclusion, would not greater security, as I have tried to show, be given to insurance, if stock companies should be encouraged, instead of being, as now, adversely compared with their competitors by the working of the laws?

Would not security be greatly increased—indeed, made perfect—by means of the separate classing of sound lives, and basing the computation of reserves and premiums upon the facts in the cases really insured?

Is there a doubt that a computation upon a basis of a practical interest receivable would tend to promote security and curtail expenses?

Dr. ATCHISON moved as follows:

Resolved, That this convention most cordially return their thanks to the fire and marine, and the life insurance companies of the city of New York, for the courtesy and hospitality which they have extended to this body; and we recognize the generous confidence which has been extended by them, concerning our deliberations and actions, whereby all restraint has been so far removed, that mutual confidence and respect has become fully established, and, we trust, will be continued in the future.

Dr. ATCHISON—I move this resolution as an expression of the refined courtesy and generous hospitality which we have received at the hands of these gentlemen. They are noblemen, worthy of this city, and this grand emporium is worthy of the continent which it represents.

Mr. PAINE—I wish to say how cordially I enter into the spirit of this resolution, and I wish particularly to say how pleased I am that here, in the city of New York, where fashion so prevails, in the various banquets provided for us, they have done us the honor—and I am sure it is a great honor—to dispense with spirituous liquors. For one, I have not seen a single glass of liquor offered at any of the banquets presented to us, and I certainly think it is a great credit to them that they have been willing to treat us with this respect.

The resolution was unanimously adopted.

Mr. CALDWELL—Mr. President, I have a minority report from your committee on taxation, fees and deposits, which I will request the secretary to read. The secretary then read the report, as follows:

MINORITY REPORT OF THE COMMITTEE ON TAXATION, FEES AND DEPOSITS.

Your committee, to whom was referred the questions of taxation, fees and deposits, beg leave to submit the following minority report:

TAXES AND FEES.—That any fire, inland or marine insurance company, doing business in any other state than that in which it may be organized, should be taxed only upon the amount of premiums received, after deducting commissions and losses actually paid in such state; and your committee are of opinion that a tax of three per centum upon such net receipts, in addition to the departmental fees recommended by the majority, and which the minority also recommend, would be ample, just and equitable.

That life and accident insurance companies should be subjected only to such taxation as the states wherein they are organized may deem proper to impose, and such additional departmental fees as may be necessary to secure the most thorough and complete investigations and valuations by the several state departments.

That the manner of taxing companies by the states wherein they are organized, or whether they shall be taxed at all, is a matter purely for the several states to determine according to their varied interests, and upon which subject it is inexpedient for this convention to make any recommendations.

DEPOSITS.—Your committee are of opinion that the question of deposits should be left entirely to the states in which companies are organized, without recommendations from this convention further than this, that when a deposit of a guarantee capital, of not less than one hundred thousand dollars (\$100,000), may be required by the laws of a state for the benefit of all policyholders, it is unnecessary to require further or additional deposits in any other state.

Your committee would further report back and recommend the adoption of the following resolution, offered by Mr. Harvey on the third day of the session, to wit:

Resolved, That in the practice of dividing its surplus among its policyholders, a mutual life insurance company should take into consideration the taxes levied upon premiums by the state in which the policyholder resides, and that no deductions for tax expenses should be made from a dividend to a policyholder residing in a state which does not charge the company with a tax upon its premium receipts; or, in other words, that no portion of the taxes levied upon premiums in one state should be charged to or imposed upon the policyholders residing in another state.

Mr. CALDWELL—Mr. President, I am not going to make the apology for offering this minority report, which the Hoosier juryman did, when the jury was reprimanded severely for failing to bring in their verdict. After listening to the judge with considerable impatience, he said: "Judge, you are right, we could have agreed just as well as not, and it is a disgrace that we did not. We would have, but for the most stubborn-headed old man on a jury that I ever saw in my life." (Laughter.) I did not intend to make this apology for the gentlemen with whom I was associated on the committee. They were exceedingly courteous, and were even disposed to compromise on different views (as modern committees are in the habit of doing), by splitting their differences, by drawing cuts and even by playing "freeze and poker," to test the matter. (Laughter.) But I was always unfortunate in drawing cuts, and I know I should stand no chance at "freeze and poker" with gentlemen associated with me. (Laughter.) And the only alternative left to me, as a minority of the committee, was to submit the minority report which has just been read. But the differences of opinion which exist between your committee were such that we could not reconcile our ideas among ourselves, and we agreed mutually to disagree—presenting our different views for the consideration of the different members of this convention, for adjustment when we re-assemble.

Mr. President, I assure you that it was with a great degree of diffidence that

I felt myself unable to make up my own mind upon the record, against those who are much my seniors in experience; and it is only after I have carefully weighed the matter in my own mind, that I have consented to do so. And I deem it no more than just to myself to thus briefly state the considerations that influence my action; and that I may be very precise, and may not be misunderstood, I have reduced my remarks to writing:

In the first place, I am unable to agree that taxation should be applied alike to fire and life insurance. It is merciful to lift the burden of taxation, as far as possible, from labor, and rest it where it properly belongs, upon capital; and while I recognize the beneficence of fire insurance, while I admit that it is to cover the poor man's cot as well as the rich man's, yet it is mainly for the protection of wealth, and in the interest of wealth. It is estimated that only about ten per cent of the laboring men of the country have property that could receive the protection of a fire policy; but all have a life, affording the only shield and support to dependent little ones, whom death might leave a charge upon public charity, paupers in our poor houses, or criminals in our jails; therefore I am earnestly of opinion that no state legislation should be enacted that would, in any degree, discourage the poor man from seeking the protecting shield of life insurance for his family, that no exactions should be required that would increase the cost thereof, farther than such departmental fees as may be necessary to provide perfect security by careful supervision and valuations.

In regard to the taxation of fire insurance companies, I differ only with the majority in the mode or manner of levying the same; and with all deference to the opinion of the majority, I cannot see the propriety or justice of taxing gross premiums. When a company has actually paid to the people of a state, in commissions and losses, a greater amount than they have actually received from such state, it seems to me manifestly unjust to require a payment of a tax for the benefits thus conferred.

A fire policy is to cover the loss of *taxable* property, and if the property be destroyed, so much of the taxable wealth of the state has disappeared, which the fire policy replaces, and thus the state receives its benefits as well as the property owner. For these reasons, it seems to me that the only just system for states to adopt in levying a tax upon companies organized in other states of the union, should be a percentage upon the actual surplus profits which a company may realize in the state from business done.

In regard to deposits and departmental fees, it will be seen that the majority and minority reports are substantially the same.

The PRESIDENT—What disposition shall be made of the minority report?

Mr. W. E. HARVEY—I move that the minority report be printed with the majority report, and submitted to the convention at its next session; and that the portion of it relating to the reduction of the taxable dividend be taken up and discussed.

The PRESIDENT—I hope the gentleman will excuse me for making a suggestion—that the minority report seems to entirely concur, or, as the gentleman says, it substantially concurs with the majority report, on the question of deposits and fees. I would suggest whether it would not be more expedient to merely let that portion which refers to taxation lie over; and that the other portion be taken up and agreed upon.

Mr. W. E. HARVEY—I accept the suggestion.

The PRESIDENT—I understand the motion of the gentleman from Illinois (Mr. W. E. Harvey) is, that the portions of the reports from the committee on taxation, deposits and fees, which refer to taxation, lie upon the table. But that the other portion of the report referring to deposits and fees, and the resolutions referred to in the minority report be now taken up and considered.

The question was taken on Mr. Harvey's motion, and carried.

Mr. CALDWELL—I think I am justified in moving a re-consideration of the gentleman's motion—and that it be laid on the table—and that we take no action upon it until we reconvene.

The PRESIDENT—I shall be sorry to see the convention disband without taking any action on these subjects.

Mr. CALDWELL—I am not sorry, so far as this report is concerned. My reason for believing that it would be best to defer action is, that quite a number of delegates are now absent; in deciding these questions, it seems to me we ought to deliberate a little more. I cannot see that anything is really accomplished by pressing the matter to a direct vote at the present time.

The PRESIDENT—I hope gentlemen will express their views freely. Of course, our time is limited; and if we are going to arrive at any conclusion, we must consider the matter that we have in hand.

Mr. PILLSBURY—Will you please to state the proposition?

The PRESIDENT—Mr. Caldwell now moves for a re-consideration of the motion of the gentleman from Illinois (Mr. W. E. Harvey), to proceed to a consideration of that portion of the report relating to deposits and fees.

Mr. PILLSBURY—Without attempting to discuss any question for a moment, this proposition seems to have met with great unanimity. And as our action is simply to recommend it as the sense of this convention, it seems to me we have been giving an expression of opinion on that point.

The question was then taken on the motion of Mr. Caldwell to reconsider the motion of Mr. W. E. Harvey, and lost.

Mr. PAINE in the chair.

Mr. MILLER—The delay now, as I understand, is simply caused by our waiting for the production of the reports. The majority report was placed in the hands of the printer, and the secretary is endeavoring to get it. I think, however, I may occupy a moment or two of the time, and say that from my intercourse with the different members of the convention who have departed—of course, those who are present can and will speak for themselves—I have not found a person who entertains any opinion opposed to the sentiments of those reports upon the subject of deposits.

It seems to have been the subject of all subjects upon which the respective members of the convention have been in perfect accord from the beginning. It is, at the same time, one of the most important subjects affecting the working of the system of insurance, both fire and life. We know that many states have recently enacted laws requiring deposits in the various states, from companies of other states doing business within their borders.

As the operation of those laws has been sufficiently set forth in the different arguments and documents produced before the convention, it is unnecessary to repeat them. The committee have heard them; the committee have considered them. They have reported, and, as the gentleman of the minority says, his report substantially agrees, and, as I understand it, is in substantial accord, with the report of the majority; and that they both concur in deprecating, if I may use the expression, the imposition of any such requirement by any state upon a company of any other state or states which has made a deposit in its own state, according to the laws thereof.

I understand that the report of the majority advocates the principle of requiring a deposit, if not more than \$10,000, from life companies only; and that in the states in which they are organized; and that having complied with such a requisition in their state, no other state shall impose the requirement of an additional deposit. And that as to fire companies, they recommend the entire abolition of the requisition of any deposit, either in their own or in any other state, except in the case of foreign companies; in which cases, the deposit required shall be \$200,000 in the state in which is located the principal office in this country.

This is the substance of the report on the question of deposits, and as I understand the matter, my friend from Indiana (Mr. Caldwell) concurs with it. His divergency was on the question of taxation.

As to fees, there is a concurrence. The rate of fees adopted was extremely reasonable and conservative; and, I believe, will meet the approbation of the intelligence connected with the whole business.

Therefore, Mr. Chairman, I do not see why, as we have not a dissenting voice, we should not at once ratify the action of this committee, in a decided manner, upon these two questions. And I hope that the convention will take such action when the report is read.

Mr. SKERLE—Whilst the question is in waiting, I will volunteer to make a single suggestion, in this connection, inasmuch as I have, on the question now before us, put myself on the record. I desire to make a simple explanation.

I have stated in my report that I am opposed to all deposits for both life and fire companies. Now, if there is here, in the convention, a delegate who can stand up and declare to me that the deposit of \$100,000 in the treasury of the state, where the company is located, provides a security to the life insurance policyholder in any appreciable degree, and can produce arguments showing that, I stand ready to be convinced. But, I imagine, there is no one that will take that position.

A hundred thousand dollars, as I said the other day, is a mere bagatelle for a company engaged in life insurance. For, if in existence any length of time, the responsibilities of the corporation are generally up in the millions. Hence, there is no security in the \$100,000 deposit. If we are going to do what the design is, to afford a protection to the policyholder and the public, by requiring a deposit, why not make it approximate the magnitude of the business in which the company is engaged? Why not make the requirement that it shall deposit, from year to year, a *pro rata* of the assets of the company?

If we are to protect the public by deposits, I say, why not increase the deposit as the business of the company increases? Then there would be some adequate protection. But, as I said in the commencement, \$100,000 does not afford protection. Hence, I say, it is an evil to the public to require the deposit of \$100,000, when it does not afford protection, because it is a blind to the public. It assumes what is not true. The public is deceived by the publication of the fact that a deposit has been made with a state officer for their protection.

I have little idea that my notions in this respect will prevail; but I have desired to put them upon record, for I believe the time will come when the deposit of life insurance companies will either be increased in proportion to the amount of business transacted by the company, or it will be abolished entirely; and I would approve of seeing the deposits dispensed with altogether, and let the public rely upon large capitals of companies, and upon efficient management, and upon the protection which is given to the public through the various insurance departments of the different states.

I think that is the wiser course. I have no motion to make on the subject, and therefore I do not choose to pursue the argument to any considerable length.

Mr. MILLER—I hope I may be excused for a single moment, in occupying the attention of the convention, on this theme, in view of the remarks of my respected friend, representing the state of California. The late experience I have had in the administration of the laws of this state, in connection with life insurance, has fully convinced me of the eminent propriety of the limited deposit of \$100,000 from life companies. The experience I have had in winding up the affairs of two of our life companies, has convinced me beyond a doubt, that it is a proper, judicious provision. For the public ought to be protected against that very speedy dissipation of a company's assets which may, in the early experience of a company, result even in a single year, and before the supervising officer's attention has been called to the affairs of the company—before he could even dream that the company could have been so lavish in its expenditure and so reckless in its business habits as to have dissipated the minimum amount of capital required under the law. I am satisfied that in the cases of companies referred to, the policyholders were just \$100,000 better off, in each case, than they would have been, had it not been for that judicious law. In the case of the Farmers and Mechanics, the last company closed, it fortunately happened that the law stepped in at a point of time when there was just enough, and barely enough assets to meet the risks of the company; and hence, all the loss that accrued has fallen where it should fall, first and properly, on the stockholders. The policyholders received the benefit, and were fully protected by that particular deposit of \$100,000; and I have not the slightest doubt, that if it had not been required to be deposited in the department at Albany, that it, with the rest, would have been dissipated.

In this case, I judge of the effects of the law, and of the wisdom of the law, by its results. I can see in these cases how favorably it has worked.

Now, it is true, in one sense, as the gentleman says, that there is often no great propriety in requiring a single deposit of \$100,000, arbitrarily, of each company, and no more, without taking into consideration at all the magnitude of their risks; that the deposit should bear some proportion to a company's responsibilities, and that a company should deposit in some proportion to the amount at risk. There is, theoretically, great force and subtlety in his proposition. But—and I have thought of it very seriously, whether or not the requirement of a larger deposit would be a judicious enactment—in view of the efficient supervision which is now being exercised, and which we hope, through the means of our humble convention here, ultimately to perfect in the whole country, see what we are going to have, see what we have already. We have, in eighteen or twenty states, officers especially vested with supervisory powers, and other states are rapidly following by investing or creating some officer with such power. Most of these companies do business in many of the states. What is the result? Even if the theory upon which we are generally supposed to be acting here is correct—that the companies shall be peremptorily responsible to the departments of their own state, but ultimately to the departments of every state in which they are doing business—see what a check and guard we have against fraud and imposition. Why, it is going to be rendered almost impossible for a company to defraud or deceive the public. We have, first, the vigilant superintendent of the state, in which the company is organized, and then we will have eighteen or twenty, and very soon thirty states, all guarding and watching the department and the companies. So that we have a supervision which will be as perfect as human ingenuity can devise. Hence, I say, it is only in regard to the early history of the company—it is only for a few years until it establishes a character and business, that it is necessary to provide against any temporary irregularities which may occur in the organization and establishment of its finances. Of course, after it has come under supervision—after it has acquired a line of business and has had one or two years' experience—the officer gets an appreciation of its situation and holds it up. It acquires a character also, and it is not necessary to take away from the control of the company its own means and deposit them in any department except with the view which I have mentioned. But I do not think that public opinion would justify us, or that theoretically, or practically, it would be wise to dispense with this moderate deposit from life companies.

The PRESIDENT, *pro tem.*—I understood, before I took the chair, that the motion then before the house had been disposed of, so I do not suppose there is now any motion pending. I would ask the gentleman, therefore, to what he was speaking.

Mr. MILLER—My remarks were mostly in reply to my friend from California (Mr. Skeels).

The PRESIDENT, *pro tem.*—You did not understand there was a motion before the house.

Mr. MILLER—No, sir. But the report is before the house, and when we hear the report read we are ready for a motion.

For the purpose of bringing this question distinctly before the house, I move that the report of the committee upon the subject of deposits be adopted as the sense of this convention, upon this subject.

Mr. CALDWELL—As this is a matter about which we might modify our opinions very much, I do not think we have given the subject that careful consideration which its great importance demands. As I see the blanks got up by the committee on blanks, have been handed to the secretary, and as I regard that as the most important business this convention can take up, I move to lay the gentleman's motion on the table.

The question was taken on the motion to lie on the table, and lost.

Mr. W. E. HARVEY—I would like to say that, so far as western men are concerned, I do not believe that there is anyone in the west who would be willing that life insurance companies should be organized there without, at least,

\$100,000 of capital to bridge them over the first few years of their existence. I think that, at least, that amount should be deposited by life insurance companies. I am not so well posted in regard to the fire branch of the business. I know one thing, that there were some concerns in the city of St. Louis, some life insurance companies which, because of the requirements of the law, referring to capital or assets, were unable to go on. And it was a good thing that they were unable to go on. They were started by adventurers who never ought to be permitted to have any connection with a life insurance company. I hope the motion to adopt this portion of the report will prevail. There are, I understand, legislatures now in session that this matter ought to be brought before as early as possible.

Mr. CALDWELL—I would ask the secretary to read the minority report of the committee on the subject of deposits.

The secretary read that portion of the report.

Mr. CALDWELL—Mr. President, it will be seen that substantially the report of the minority is the same as that of the majority. There is only this difference: that this convention deem it unwise and inexpedient to make any recommendations on that subject. I believe firmly, and I endorse heartily, the opinions expressed by my friends Mr. Miller and Mr. W. E. Harvey, that no life company should be established without a guaranteed capital of at least \$100,000. But I do not know what the representatives of other states that are not here represented might think upon that subject, and I hold that it is a matter that should be left entirely to the states to determine for themselves, according to their interests. And, if a law was brought before the legislature of my own state, I do not hesitate to say that I would advocate the requirement of a deposit of \$200,000. But I look around me and I see but eleven states represented on this floor now, and I deem it very unwise and inexpedient to take any action on the subject. I, therefore, move as a substitute for the majority report, the report of the minority.

Mr. MILLER—I wish to say one word, that I believe it to be true, that almost every state which has legislated on the subject of insurance, and which has been represented here, certainly now requires this deposit from any company coming from another state,—requires that it should have a deposit of \$100,000 at least; so I do not think we were invading at all.

The PRESIDENT, *pro tem.*—It is not the case in our state.

Mr. CALDWELL—And there are twenty-six states not represented.

Mr. MILLER—We cannot speak for states not here, but shall we not say anything because they are not here? Of course, what we say is simply advisory, and only speaks for those who are here. It has no binding force or effect. If we are unanimous on this question, I see no objection to giving expression to our own sentiments. They are good for what they are worth. That is all, and they go as far as the power behind them says they shall go.

The PRESIDENT, *pro tem.*—The question is on striking out the word "majority" and substituting "minority" in its stead.

Mr. SEBELS—I would like to inquire if that is intended to include the whole of the minority report, or only that portion under discussion?

The PRESIDENT, *pro tem.*—That fact which pertains to the subject of deposits only.

Mr. SEBELS—I would like to have the gentleman from Indiana (Mr. Caldwell) explain in what respect his report differs from the report of the majority.

Mr. CALDWELL—It leaves the matter entirely with the legislatures as to what they consider proper to require from companies organized in their own states.

Mr. MILLER—Therefore, they might require nothing.

Mr. CALDWELL—They need not, if they see proper. If they can advance their own local interests in that way, they are only doing what they ought to do.

Mr. MILLER—Would you recommend a state to admit from another state a company which has no deposit?

Mr. CALDWELL—Yes, sir, if it has a proper reserve. I do not know that I would be justified in Indiana, in refusing to admit the Mutual Life, of New York.

Mr. MILLER—That company has a deposit, or it could not do business in this state.

The PRESIDENT, *pro tem.*—The Union Mutual life insurance company, of Maine, is not obliged to make a deposit. But it has deposited \$100,000 in the state treasury of Maine, in order to satisfy the laws of New York and other states.

Mr. MILLER—I have not paid particular attention to the phraseology of the minority report. It is good, however, so far as it goes; but it does not go far enough. There is no expression there as to the necessity of a deposit from fire companies, or foreign companies. If the gentleman will draw a resolution embracing the language of his own report on the general subject of deposits, and then refer to the fire companies particularly, I shall be very much pleased to concur with him.

Mr. CALDWELL—The only reason why I did not do so was the fact that I recognized it as a matter of pure jurisdiction, and ought, as I expressed in my report, to be purely a matter for the states to determine according to their varied interests; and I hope that they will all enact such laws as to attain perfect security. On that subject I deem it inexpedient to advise what they should do, for I do not know what the various state legislatures might think.

The question was then taken on substituting the report of the minority for that of the majority, and lost.

Mr. SKEELS—I now propose an amendment, in order to meet my ideas of affording greater security to the public in matters of life insurance. And I make the motion which I am about to make, in view of the fact that I am somewhat alone in the opinions which I have expressed about abolishing all requirements of deposits. I would therefore move that the sum of \$100,000 in the report be made to read \$200,000.

Mr. NOYES objected to a change in the amount, and thought it would disturb the existing interests of established companies, and perhaps prevent the formation of new companies in the western states.

Mr. SKEELS—One word further. The gentleman's argument, I do not think, holds good in reference to the distinctions which may ensue between the eastern and western states, or the older and the newer states. I hardly think it is likely that more new companies will be hereafter organized in the west than in the east. I think we cannot anticipate any such state of affairs. Capital is growing faster in the east than in the west, and seeks investment in organizations of this kind faster here than it does in the west. Capital can be employed to greater advantage in the west than in the east in other enterprises. Hence I do not think there should be brought into our estimates here any advantages to accrue in favor of the west over the east. And, as it relates entirely to prospective legislation and to prospective companies, no injury can accrue to the old companies already established.

I think the time is come in the history of life and fire insurance, both, that we should encourage the establishment of larger corporations, thereby securing greater talent for the executive management of those companies to the greater protection to the public with whom they deal.

The PRESIDENT *pro tem.*—The question is on the amendment offered by Mr. Skeels, of California, to substitute \$200,000 for \$100,000.

Mr. A. F. HARVEY—Is not that amendment in a bad way? It has not been seconded.

Mr. SKEELS—It has, I beg to say.

The question was then taken on the amendment offered by Mr. Skeels, and lost.

The question was then taken on the adoption of the majority report, as the sense of the convention, and carried.

The secretary then read from the report the clause relating to fees.

Mr. W. E. HARVEY—I move to strike out "ten dollars per million" as the price of valuation. There are some companies which introduce new fangled notions, new premium plans, for instance. A Missouri company has a seven per cent decreasing premium plan. The actual cost of

making up the valuation tables is about a hundred times all that would be paid the state for valuing those policies. I move that it be stricken out. Ten dollars per million might do for ordinary forms, but for special forms an extra fee should be charged.

Mr. A. F. HARVEY—I do not think it is a matter of vast importance; nevertheless, the price fixed there should be only for ordinary policies. Last winter I made a valuation of some companies, and paid out \$160 for clerical labor, while the whole fees were \$32. A great many of these outside policies cannot be valued for anything like that money, and the actuary get his pay.

Mr. CALDWELL—I am opposed to this tampering with the reports, or taking any action upon them, and I am very earnest in that opposition. There are a very few of us here, and, if we want the action of this convention to have weight with the legislative bodies in the various states, we must have a greater number of states represented here; and we must take time to give the subject matter a more thorough and careful consideration. It is determined that this convention will re-assemble in October, and between this and then, no legislature, I believe, are to meet, and consequently no action can be had. Therefore, I can see no use in pursuing this matter any farther, and I now move—

The PRESIDENT *pro tem*—There is a motion already before the house.

Mr. CALDWELL—What is the motion?

The PRESIDENT *pro tem*—The motion to strike out ten dollars per million from the fees for valuation.

Mr. CALDWELL—As an amendment, I move that we lay the further consideration of the subject of fees on the table. Carried.

Mr. W. E. HARVEY—I move that that portion of the resolution offered on the third day be now taken up.

The PRESIDENT *pro tem*—What is it?

Mr. W. E. HARVEY—It was a resolution offered in regard to the practice of dividing and charging back the taxes levied on the premium in each of the states.

The secretary read the resolution as follows:

Resolved, That in the practice of dividing its surplus among its policyholders, a mutual life insurance company should take into consideration the taxes levied upon premiums by the state in which the policyholder resides, and that no deductions for tax expenses should be made from a dividend to a policyholder residing in a state which does not charge the company with a tax upon its premium receipts; or, in other words, that no portion of the taxes levied upon premiums in one state should be charged to or imposed upon the policyholders residing in another state.

Mr. W. E. HARVEY—I move the adoption of that resolution as the sense of this convention. Carried.

Mr. CALDWELL offered a resolution in regard to newspapers, which was, on motion, laid on the table.

INSURANCE ON THE LIVES OF DEPENDENTS.

Mr. SKEELS stated that he had been requested by a life underwriter to present the following resolution:

Whereas, a century's experience in this country and England has shown that insurances on the lives of dependents, or of those whose existence is of no pecuniary importance to others, are certain to lead to crime in some cases; and though it is not possible to provide against all such occurrences, it is practicable to prevent the extension of insurance beyond the age at which most men become non-producers, if not dependents; therefore,

Resolved, That it is desirable for all states to enact that after some convenient date, no policies shall be issued on the lives of their citizens for terms extending beyond the age of seventy-five (75).

On motion of Mr. NOYES, it was ordered that the motion be printed and lie on the table.

The convention then proceeded to the further consideration of the report of

the committee on blanks, and the afternoon was spent in informal discussion thereon.

At 4 P. M. the convention took a recess to meet at the Fifth Avenue Hotel at 7 P. M.

The convention re-assembled at 7 o'clock, in the Fifth Avenue Hotel.

Mr. KING, of the committee on dividends, expenses and appointment of attorneys, presented the following report:

REPORT OF THE COMMITTEE ON DIVIDENDS, EXPENSES AND APPOINTMENT OF ATTORNEYS.

Your committee on dividends and expenses, and appointment of attorneys, very respectfully submit the following report.

It seems impossible for the committee to undertake to define the percentage or limits for the dividends and expenses of any class of insurance companies, though at the same time it may be proper to indicate when dividends should not be made, and to say that there are classes of expenses which should be greatly diminished, and perhaps some which should disappear entirely.

Losses and expenses are the great absorbents of income. Time was when the first was regarded as the chief enemy of insurance companies; but in the progress of events, expenses have increased to an alarming extent, and it is only in the management of the companies themselves that this evil can be rectified; only by constant watchfulness and keen vigilance on their part over the outgo, and by a conscientious regard, not only for the absolute security of the policyholder, but for the rights of the stockholder, whose property is in their hands.

Enormous expenses frequently compel the manufacture, or the introduction into the annual statement, of factitious items as assets, which must be excluded from the reports of companies, either by the voluntary action of their officers, or by their being erased, by officials having charge of insurance matters in the different states.

The committee cannot undertake to limit the percentage of expenses to receipts, or the percentage of dividends on capital; but the members are united in the following opinions:

1st. That no dividends should be made to either shareholders or policyholders, unless made out of actual profits, after deducting losses and expenses, and in addition thereto, a reserve sufficient to cover all outstanding liabilities, to be ascertained by some well-established or legally authorized standard.

2d. That all expenses not germane and strictly necessary to the proper management of the business should be cut off or reduced as rapidly as possible, so as to bring them down to an economical basis.

It must not be inferred, however, that all companies can be made to show the same ratio of expenses to income, for it is evident that the expenses of a young company must necessarily be larger in proportion than in the case of a company already established. This is true, particularly in the instance of a young life company, because a large proportion of its business is new and obtained at the usually large first year's commission, such a company may have procured business mostly by the payment of brokerages, so that its future premiums will be free from commissions. In this way it may appear to have been more extravagant than another company which has obtained its business at the usual first year's commission, but subject to the renewal commissions, mortgaging the future for a present saving. Therefore, it appears that the official publication of tables showing or contrasting the percentages of the expenses of the different companies, works injustice to some sound and really economical companies.

On the subject of the appointments of attorneys, this committee would suggest the appointment, by each company, in each state, in which it transacts business, of one attorney or agent, who shall be especially and formally authorized by the company he represents, to receive, in behalf of his company, notices of suits instituted. And it is believed that such appointment of attorneys, and the

manner of serving them with notices of suits, can be so regulated by statute that every proper facility will be afforded citizens of the different states, who may wish to sue insurance companies, and at the same time avoid the evils attendant upon the practice which prevails in some states of requiring every company to authorize each of its agents, in such states, to acknowledge service of process, or receive notice of suits instituted.

The report was received and ordered to be printed.

The consideration of the report of the committee on blanks was then resumed. After a protracted informal discussion, the further consideration of the blanks was deferred till next day.

The convention adjourned at midnight till 11 A.M. on Friday.

NINTH DAY.

NEW YORK, June 2, 1871.

The convention reassembled in the hall of the New-York Board of Fire Underwriters, at 11 A.M.

BLANKS FOR ANNUAL STATEMENTS.

The convention resumed consideration of the report of the committee on blanks. After about two hours' work in amending the forms of blanks recommended by the committee,

Mr. CALDWELL moved that the report of the committee, as amended, be adopted, and that a committee of four, of which the president of the convention should be one, be appointed to supervise the printing and distribution of the blanks.

Mr. KELSEY seconded the motion and said: I think there is a great propriety in the adoption of such a motion. We have already seen that this matter of the blanks is a very important one, and the report which was laid before us by the committee, has been very much changed and very much improved. The blanks should be printed and forwarded as soon as possible, to the delegates at their homes, where they can give them full attention, and come here again in the fall with their ideas perfected, so that at the October meeting, we can finally complete them and send them to the companies in time to prepare their next reports.

Mr. SKEELS—I suppose it will be competent for the adjourned meeting of this convention still further to revise these blanks, and with that understanding I shall most cheerfully vote for the motion.

The motion of Mr. Caldwell was carried, and the president named as the committee of revision, in addition to himself (as provided for in the motion), Messrs. Kelsey, Skeels, Smith, and the secretary of the convention, *ex officio*.

STATE LEGISLATION.

Mr. PAINE—I wish to call up a motion made the day before yesterday, by the gentleman from Connecticut, that a committee of three be appointed to take into consideration the several matters of state legislation, which are involved in the subject of insurance, and report at the October session of the convention. I call it up and move its adoption.

The PRESIDENT—The trouble is that consideration of the different subjects upon which we expect to invite legislation, has been referred to various committees, and this is only giving to another committee the work which we have already provided for.

Mr. NOYES—My object in presenting the resolution was this: I thought that although we had appointed committees to consider these several subjects growing out of the life and fire insurance business, yet if we had one additional committee elected from the metropolitan cities, with the president of this convention at the head of it, as its chairman, that we would get a sort of concentration of opinion on the subject during the interval of the recess of the convention, which might, perhaps, aid the convention in bringing things to a focus. It is a step which I thought might be of some service.

Mr. CALDWELL—The explanation of the gentleman makes the proposition, if anything, more objectionable to me. I am opposed to having all the business of the convention done by a metropolitan committee.

Mr. PAINE withdrew his motion to call up the resolution of Mr. Noyes.

Mr. SKEELS—The motion having been withdrawn, I offer the following resolution, which has nearly the same end in view as the one which is withdrawn, but which I think we can all unite upon:

Resolved, That this convention recommend to the legislatures of the several states the enactment of a provision, which shall authorize the officer having charge of the administration of insurance laws, to make use of such blanks for annual statements as are adopted by this convention.

Which was adopted.

Mr. SMITH presented the following report:

REPORT OF THE COMMITTEE ON VALUATION, REINSURANCE, MORTALITY TABLES, ETC.

The committee to which was assigned the duty of recommending a rate of mortality and rate of net interest, to be designated by law, as the basis upon which to make calculations of net premiums and net values of life insurance policies; to report upon the question of equitable surrender charge, or proper surrender values; to definitely describe, by suitable names, the various kinds of life insurance policies; and to report upon the subject of reinsurance liability on fire and marine policies, have requested me to report progress, and to state that in addition to the various communications on these subjects, made to the convention, referred to this committee, and printed in the regular proceedings, we desire to place in the hands of the secretary, communications made to the committee, which it has not been convenient or even practicable to present to the convention. The committee recommend that the secretary be directed to print, with the other proceedings of this convention, the communications just referred to.

(Signed,)

GUSTAVUS W. SMITH, *Chairman Committee.*

The report was accepted, and ordered to be printed.

Mr. CALDWELL—We are approaching what we must consider the termination of the present session of this convention, and for fear any matters should be left unattended to, I move that we take a recess of twenty minutes. Carried.

The convention then took a recess of twenty minutes.

RESOLUTIONS.

Mr. SKEELS—I have a resolution which it affords me a great deal of pleasure to offer, and I have no doubt it will receive a very hearty support from the convention. It is this:

Resolved, That the thanks of the convention are due to Colonel H. S. Olcott for the very able and efficient manner in which he has discharged his duties as secretary of our body; and that the president of the convention be authorized to appropriate, as compensation for the duties so performed, such a sum as shall seem in his judgment proper.

The resolution was unanimously adopted.

The President vacated the chair, and Mr. Caldwell took his place.

Mr. PAINE—I have a resolution which I wish to offer, and before doing so, I wish to say that I know it is one which will meet with the approbation of all my associates. I wish to express with how much pleasure I have spent the few days during which we have been together in the city under the call issued by the superintendent of the insurance department of New-York. I anticipated a good time when we came here, but I anticipated no such time as we have had. Pleasures have swarmed upon us to an extent which I never before enjoyed in connection with any public gathering, and I think this will be the testimony of all here, and principal among those who have been the means of our enjoying ourselves to such an extent has been our President. I feel extremely thankful to him for having thus introduced us to each other. I feel extremely thankful to him for his courtesies to us since we have been here, and for the manner in which he has presided over our deliberations. I will not extend these remarks further, since the time has arrived when we should adjourn, but will ask the privilege of reading the following resolution:

Resolved, That the thanks of this convention are hereby tendered to our president, Hon. George W. Miller, superintendent of the insurance department of New-York, for his polite invitation extended to us to attend upon this occasion; also for the numerous kindnesses shown us while here, as well as for the pleasant and impartial manner in which he has presided over our deliberations.

Mr. NOYES—I never was more gratified with any communication that I ever received from any official source, than I was with that of Miller calling this convention together. I thought it came from the right source, and I thought it would be productive of more good than any insurance convention ever held in this country or abroad. Through the agency of this gentleman we have begun to build upon the foundation laid by his predecessor in office. One of the beginnings and causes of our success was the determination of the convention at an early stage of its proceedings to avail itself of the light and knowledge on insurance matters which is collected in this great metropolitan city. We did not arrogate to ourselves all knowledge on these subjects. The foundation of a man's education is to learn how little he knows, and when he knows how little he does know he is a learned man, for he has commenced from the right point and in the right way, and is sure to build for permanence. We came here, and at once joined hands with the insurance companies and the actuaries of this city, and all who desired to appear before us to present their views have been allowed to do so. And now, sir, this concentrated wisdom is about to be embodied in a volume, and published to the insurance world. And that book is to find its way into every public library in the United States. I will go further, Mr. President, and say that you will find that book in all the insurance libraries of England, and that when we publish that book we will publish a book such as has not been published on the other side of the Atlantic. I think that my library will not contain anything upon the subject of insurance that will exceed in value this volume. We have paid respect here, sir, to the insurance talent of this city, and they have paid respect to our official position, and now we are going home to consider what has been laid before us by the talented gentlemen who have aided us in our work. We have not attempted to dictate to anybody, and we are not going to attempt to dictate legislation; but we are going to study the great questions before us, and come back in October prepared to act upon them. I think our thanks are due to the gentleman who has enabled us to make this beginning, and I most heartily concur in the resolution which has been offered.

Mr. KELSEY—It will give me the greatest satisfaction to vote for the adoption of this resolution. In common with every member of this convention, I desire to express my extreme gratitude for the courtesy and the kindness which we have received at the hands of the president, and also from the secretary of the convention. The president has presided over the deliberations of the convention with great dignity, great ability, great impartiality, and unvarying fairness, and the secretary has performed his duties with an ability rarely equalled,

and we all feel under great obligations to them both. Some of our number are gone; but those gentlemen, gentlemen from the far west, took care to say to me before they left: "Don't forget to express our warmest thanks to Mr. Miller, our president, and to Colonel Olcott, our secretary. We shall all, I am sure, go from here with similar feelings toward these gentlemen. One of the advantages growing out of this convention is that we have made the acquaintance of each other. Hereafter, in our official correspondence with each other, we shall know to whom we are writing and shall speak more understandingly, and with greater freedom. I hope the resolution will be adopted.

The resolution was unanimously adopted.

THE WORK OF THE CONVENTION.

Mr. MILLER—I would like to say that this tribute of respect is not without its effect upon me, but I will defer any remarks in answer to it till just before the adjournment. I have a preamble and resolution which I now propose for the consideration of the convention.

Whereas, This convention has, after ten days of arduous devotion to the consideration of the various important subjects submitted, arrived at definite conclusions upon, and recommended the adoption in the several states, of

Uniform forms of annual statements, to be used by fire, life, and marine companies;

The requirement of deposits of companies, only in the states where they are organized;

The appointment of but one attorney by each company in each state, where it transacts business, to receive service of process;

And other important reforms looking to a simplification and unification of the great insurance system, and a harmonious and reciprocal supervisory action of the respective state insurance departments; and,

Whereas, a vast amount of valuable information, and a large number of able and important papers and communications have been laid before the convention, and are now under consideration by the several committees; therefore, be it

Resolved, That this convention, when it shall adjourn, will adjourn with the firm determination of reassembling in October, and by a careful consideration of the matter now before it, and of the various reports hereafter to be submitted, endeavor to the best of its ability to perfect the work begun, and fully carry out the great objects which called it together.

Mr. SREELS seconded the resolution, and it was carried unanimously

THANKS TO THE REPORTERS.

Mr. KELSEY, of New Jersey, presented the following:

Resolved, That to the official reporters of the transactions of this convention, and to the representatives of the press of New York, for the accuracy and fidelity of their permanent records, and the daily published reports of our proceedings, and also for their marked and uniform courtesy to the individual members of the convention, our earnest acknowledgements and hearty thanks are due and hereby cordially tendered.

THE OFFICIAL REPORTS.

Mr. WEBB presented the following:

Resolved, That the thanks of the convention be hereby tendered to Messrs. J. H. and C. M. Goodsell, printers to the convention, for their promptness in preparing and printing the official reports of the proceedings of this body. And that the carefulness and excellent typography which have been displayed in the publication of these reports, are entitled to this formal acknowledgement by the convention.

Secretary OLCOTT—I think, since the convention has been so kind as to thank me for the part I have taken in its proceedings, as secretary, it is proper and right that I should say that a great part of the credit is due to the official printers instead of to myself. The stenographers, in reporting the proceedings,

verbatim, and the printers in the work they have so well and promptly done each day, have taken upon themselves the greater part of the duties usually devolving upon the secretary of a deliberative body, and I think we may safely challenge comparison of our reports with those of any other body ever made with the same volume of business before it, and with the same necessity for speed that we have had. Therefore I think that this resolution is not at all too complimentary.

The resolution was adopted unanimously.

THE INSURANCE PRESS.

Mr. CALDWELL—The other day I offered a resolution, which now lies upon the table, in reference to the insurance press. I move that it be now taken up, and that the following be substituted for it:

Resolved, That in the judgment of this convention the criticisms of an independent, capable and moral insurance press are calculated to be of value to the community—to the sound insurance company, and to all interests and officials connected in any way therewith; and that it is important that an insurance press of such character only should be sustained.

The resolution was adopted.

OTHER RESOLUTIONS AND REMARKS.

Mr. NOYES—At the time the resolution in regard to our secretary was pending he was not in the room, and therefore we deferred some remarks which we intended to make. The members of this convention have, I believe, almost unanimously expressed themselves gratified with the thoughtfulness of the president in selecting for our secretary a gentleman who is not connected with any insurance company, and who was therefore in a position to stand between us in the little diversities of opinion which might exist, and which, allowed to become subjects of discussion, might have led us astray from more important affairs and have prevented the accomplishment of the results which we have attained; a gentleman too, who, by his conduct and manner, has gained the confidence and the respect of every one of us, to whom we have been under great obligations in many ways, and whom we shall never forget. This brief expression of our feelings on this subject I have been requested by several delegates to make at this time.

Mr. CALDWELL—In connection with the remarks just made I beg leave to say one word, which is, that I feel under greater obligations to our secretary personally than any other member of this convention.

Mr. PAINE—I call up the resolution for appointing a committee to consider the expediency of a permanent organization, and if considered expedient, to draw up a constitution and by-laws for it.

The PRESIDENT—If the gentleman will allow me, I will look over the printed proceedings and see what the resolution provides for, and then name the committee afterward, and communicate to the gentlemen the fact of their appointment.

Mr. PILLSBURY—There have been a great many closing words, and quite a number of gentlemen prominently connected with the convention have been mentioned, and now it seems to be highly proper that the tallest man in our company should have a little notice in some way. I recollect that a very faithful old nurse of mine was in the habit of saying, "while there's life, there's hope." The reverse of this has been suggested to me by the presence of this gentleman among us, and I would amend the proverb by saying, "while there's Hope, there's life."

Mr. GEO. T. HOPE, president of the Continental Fire Insurance Company, who was sitting in the room, having been invited to the floor and loudly called upon to respond, said—Mr. President, beyond any sort of question I am confident that you gentlemen have heard all the talk that you want to. But allow me to say that I looked upon the assembling of this convention with considerable apprehension. I thought that you might turn this

way or that; either your coming together would have the effect of developing the peculiar and unfortunate idiosyncrasies of every one who had a pet notion of his own, to the damage of us all, or else it would have the effect which we have seen it has had. But I declare to you that I had not been in the room an hour before I became satisfied of the broad intelligence of the men who composed this convention,—of the officials of the various states,—and became satisfied, and from that moment to this have been free to declare, that the result of this convention was to be good, and good only, forever, so long as insurance companies exist. I am glad that you assembled together. I doubt if the gentleman on my right (Mr. Miller) will do a better thing so long as he lives than this act of bringing you together. We are very apt to think that the thing in which we are specially concerned is important beyond all other matters. But I tell you that the question of insurance reaches every home and every individual in this broad land, and there is no more important interest to be found upon the face of the globe. And your connection with it, and the manner in which it is evident your business is to be conducted, secures for it a perpetuity and a breadth to which, without this convention, it would have been a stranger. This is the sentiment of the insurance companies of New York city. They are glad you came here, and proud to have met you. When they have occasion to correspond with you they will know you, and you will know so many of them that we shall find to be true what was declared at the outset of your proceedings, that the interest of the insuring public in its highest sense is identical with the interest of all sound insurance companies. We feel that if you will just go on in the line you have indicated already, acting intelligently for the public good, you will be the best friends we have. Gentlemen, I thank you for calling upon me and enabling me to say just this little thing.

Mr. NOYES—I would like to hear from every remaining member of this convention. We have not said all yet. I want to hear from every gentleman.

This proposition was informally agreed to, and General Smith was first called upon to speak.

Mr. SMITH said—I think we have come very nearly to the time when the president should adjourn us and wind up the convention; but since I have been called upon I will say just this. My attention was incidentally called to the subject of life insurance some year and a half ago, and when I found upon what a peculiar and very simple theory it is based, I was utterly amazed to think how little the thing was generally understood, and that the insuring public were utterly ignorant of what it was all about. The committee of which I am chairman has before it for consideration this peculiar element of life insurance which I refer to, and I think if the members of the committee will closely attend to and study over that matter, they will have different views when they come back of the theory of life insurance from those which they had when they came here. My opinion is that every intelligent man ought to understand this peculiar theory, and I hope that the beginning which we have made here, and the communications sent in and referred to the various committees, will spread before you an amount of information which will enable you to get out what I think has been kept a secret a little too closely and a little too long. We will find that the mysteries of the actuaries' art is no mystery at all, and that when they are fully comprehended there will be safety.

Mr. HARVEY—The gentleman has spoken of the mysteries of life insurance. There is a gentleman here who is, perhaps, as well posted in the mysteries of life insurance as any one in the country, and I would like very much to hear from him. I mean Mr. Bryant, actuary of the New York insurance department.

Mr. BRYANT—The mystery of life insurance! Why, there is not the least mystery in it. The only mystery is, how it has managed to live so long on the reputation of having a mystery, which it has not. [Laughter.]

Mr. HARVEY—I am very glad that we have not that great bugbear to stare us in the face any longer. We can now go back to our homes and study the commercial aspects of this question without bothering our heads about the mysteries of the actuaries' science. I confess to a peculiar gratification in seeing gentlemen connected with the insurance departments of the different states

meeting gentlemen representing the insurance interests of the city of New-York. We came here determined to learn what there was in this thing, how we could protect the honest companies and the policyholders, and, at the same time, how we could oversee the management of the business of the companies without imposing useless requirements. I think we have made a great step toward uniformity and toward preventing vast bills of expense to the companies in making reports to the departments. And I hope that next fall all other questions will be duly considered, and that we will be prepared to act, and that a perfect uniformity will be secured which will not only help us here in this country, but have an influence upon insurance legislation in other countries.

Mr. WEBB said—On an occasion like this I never did make a speech, and never can. My knowledge and command of the English language is too small to enable me to express what I feel. I would much rather that the hearty concurrence which I have given to the resolutions of thanks to the president and secretary of this convention, and to the reporters, who have so faithfully recorded our proceedings, to the learned and distinguished gentlemen who have favored us with so much light and information, and to the printers who put it in type every day for our use, should be distinctly understood without my being called upon to utter it in form and word. Because, Mr. President, I have, from the beginning, appreciated as much as any gentleman in the room, the great and important interests which this convention was called to subserve and enhance. I did not come here to give advice or instruction, but to learn and more thoroughly appreciate the duties which, by law, have been devolved upon me, and I have listened most attentively throughout the entire proceedings, and have endeavored to profit thereby. And, simply saying now, that I have, though remaining in my seat silent, indorsed and approved of all the resolutions of thanks which have been offered, I beg you will excuse me from any further remarks.

Mr. SKEELS—I believe I am the last member to be called upon for a parting word on this occasion, and I can scarcely be called a reality, as I am only a proxy, and therefore it is of very little consequence what I may say to you. I can say little on behalf of the state which I represent, as I never have seen it, but I propose, when you meet here next October, to have here a gentleman who will do his state more credit than I have been able to do it on account of my inexperience in deliberative bodies, this being my first experience of the kind. I am glad, however, of the opportunity to join with the other delegates present in the expression of those warm and emphatic sentiments which have been uttered here in return for the cordial manner in which we have been treated by the various interests with which we are concerned, and especially in the thanks to the presiding officer of the convention for the impartial manner in which he has presided over our deliberations. When I came here he was as much a stranger to me as he was to you, although I am a resident of the state over whose insurance interests he presides as insurance superintendent. I am glad to find that we are honored—I speak now of the state of New-York, and as a resident of that state—in having so distinguished a superintendent. I am glad that he called this convention. It was a wise step, and I join heartily in the sentiment which has been expressed here that this is one of the most important conventions that has ever assembled in this state. There is yet work to be done by this convention, and no one who has been present or who reads the proceedings of this session will doubt that great good will be accomplished by future sessions, as there has been in this session. One word further. I desire to express my thanks for the prompt manner in which the duties of the secretary have been performed, and those of the reporters and printers, and, in fact, for all of the arrangements which have been made to expedite business, and I hope they will receive the reward to which they are entitled, and that is, the thanks of the public generally.

Mr. CALDWELL being called upon, said: I had hoped that I would be overlooked, for I feel that I have already said probably more than I ought to have

said, considering the fact that I am, probably if not the youngest, one of the youngest members of the convention. I can only say, as those who have preceded me have said, that I feel that I have not only acquired much information, that I have not only gained much knowledge by my visit to your city, but that I have also received a great pleasure in the many happy acquaintances which I have made, and I trust that it may be long before these pleasant memories will be erased from my mind.

Mr. KELSEY—Mr. President, I think one of the wisest things we did at the outset of this convention was calling to the floor, as an honorary member, certain gentlemen in high position in the insurance world—distinguished in all that pertains to the business of insurance—and we have had great pleasure and profit in listening to them and consulting with them throughout our deliberations. I see one of those gentlemen here, and I trust we shall not depart without hearing from your honorable predecessor in office, Mr. Barnes, of New-York.

Mr. BARNES—Mr. President and gentlemen of the convention, I supposed that I had such a retired seat that I would have the privilege of enjoying the remarks made by others without being called to make any myself. It is a great gratification to me that I happened in at just this time, and to witness the cordial feeling and respect which prevail among you toward each other, and toward the officers of the convention, at the close of the proceedings. I recollect very well, some seven or eight years ago, there was a very united, enthusiastic and persistent effort made by officers of the life insurance companies, in the city of New York, and throughout the United States, to have a national supervision of insurance companies, by the United States government; to have a national bureau established which should have jurisdiction all over the United States. Pamphlets were published at that time, and very great and persistent efforts were made to secure legislation by the United States, on this subject. Those efforts were so enthusiastic, and the gentlemen engaged in them were so confident that that was the true solution of their difficulties, that to a certain extent I aided them, without believing in the expediency, the constitutionality, or the practicability of supervising the insurance interests of the different states, through the government at Washington. I know that, at that time, the impression prevailed that an insurance superintendent was the natural enemy of insurance companies, and the more insurance departments there were created the more embarrassments would be thrown around the business. It seems to me to be acknowledged now that the true policy on this subject is to have an insurance department in every state in the union. And then, as I said at that time, if the same effort was made to harmonize state legislation as was made to establish a general bureau, you could bring about a uniformity of legislation in insurance matters throughout the country. I am very glad to see that it has taken this direction, and it is a matter of pride and gratification to me, that I see you united here to-day, so desirous and so zealous to perform your duties as insurance superintendents. It is entirely certain that the true interests of the people are precisely identical with those of the companies. Their interests are precisely identical, and the very best friends of the companies in the country, and the very best friends of the whole public are the insurance superintendents. It may not always be precisely plain what your duties are in a particular case, but the fact that the interests over which you have control are identical, lessens your task and makes it a great deal more easy of accomplishment. I am not entirely conversant with the conclusions which you have arrived at in the course of your deliberations so far. But it will not make much difference in the long run whether you have actually accomplished much or not. The fact of your meeting in congress is a fact which is in itself sufficient to guarantee ultimate success. The American people are accustomed to meet in this way, accustomed to discuss, accustomed to harmonize, accustomed to achieve practical results; and I am entirely confident that the gentlemen here assembled and their successors will achieve all the practical results desirable, and place us beyond all other countries in the world in the status of our insurance

interests. Mr. President and gentlemen, you have my hearty sympathies and best wishes for the success of your labors. You will permit me to enjoy all your successes. Any failure of an insurance superintendent to fully perform his duties, any lack on his part I shall feel keenly. I wish you all success—the greatest success—and I believe you are going to achieve it; and gentlemen, through you and through your success will the interests of your country be guarded so far as regards its insurance business.

MORTALITY STATISTICS.

Mr. W. E. HARVEY moved as follows:

Resolved, That the various life insurance companies be requested to furnish the committee on valuations such information and statistics relative to their mortality experience as may be desired, to enable the committee to recommend the mortality table which should be adopted as the uniform standard for the valuation of life insurance policies in the several States.

The resolution was adopted.

RESOLUTION OF THANKS.

Mr. MILLER (the president) offered the following resolution:—

Resolved, That the thanks of this convention are hereby cordially tendered to the N. Y. Board of Fire Underwriters for the use of its hall during the sessions of the convention, and to its officers for the great personal courtesy which has marked their relations with ourselves; and that the acquaintanceship which we have formed with those gentlemen is among the pleasantest features of the session.

CLOSING ADDRESS OF THE PRESIDENT.

The president, Mr. MILLER, at this time resumed the chair, and delivered the following closing address:

Gentlemen of the Convention—In view of all that has taken place, I feel that I cannot allow you to separate without saying one or two words. You can well appreciate that I am not insensible to the compliments which you have bestowed so lavishly upon me, and which are so undeserved. I claim, gentlemen, no more credit for, no greater share in, any results which may follow our meeting here than that which is due to each and every one of you who have so cordially, so patiently, so generously co-operated with me in the humble effort which I inaugurated. Without your co-operation, gentlemen, this meeting, of course, could not have taken place, and, in view of the occasion and the congratulations which have recently passed between us, you will indulge me for a few moments only, for I have already taken too much of your time. The deep interest which I feel in this subject, and which I can never divest myself of as long as I hold the position at present occupied by me, nor even afterward, has, perhaps, in some instances, induced me to the use of a more earnest kind of expression than I should have employed, and words that I might have selected with greater care and discretion. But, gentlemen, if anything has dropped from me which appeared at all offensive, I beg that it will be forgotten and buried in the past, and that we will separate with those cordial feelings with which we came together; and that that courtesy, that universal harmony of feeling which has marked your proceedings this afternoon will mark our social and political intercourse for all time to come. I do feel, gentlemen, very deeply upon this subject. I do not propose to dilate upon its importance at this time, but allow me a single word or two in further elucidation of the great idea which, in my humble judgment, lies at the bottom of this whole subject. The idea which was in my mind when I addressed the first communication to you upon this subject was, and still is, that in consonance with our form of government it is necessary that the respective states should, as to all matters which affect the people of all the states, consult together and endeavor by cordial co-operation to produce similar, homogeneous, and consistent legislation and state action;

that while each state is perfect within itself, a community within itself for all the purposes of local government, and while it should be entirely free from all restraint on the part of other states, yet by this commingling and communing together, and comparison of interests, they should, by the independent action of each create one grand, harmonious system for the whole. This system of insurance is like a vast machine. Let the parts be constructed by independent artizans without any reference to the labors of each other, and you have no warrant that they will fit together and work in harmony, or produce any kind of useful result. But let the artificers come together and unite their skill; let the different parts be made for each other, and by connecting links be made to work together, and you will have a perfect machine. Let this method be applied to a common system of insurance supervision for the whole country, and we shall have a system like the mechanism of the clock, where every little wheel works in harmony with all the others,—a system which shall move with regularity, the certainty, and the efficiency of the pendulum. Gentlemen, when we accomplish this result, then, and not till then, will I see the reward of the efforts which I have bestowed to bring about this result, and I trust and believe, from the magnificent spirit that you have all evinced since we assembled together, that you all feel in the same way and will co-operate together to this end.

I cannot, gentlemen, too warmly express to you the gratitude that I feel for your generous treatment of me as a person and as a presiding officer. As I told you when I accepted this position, I was poorly qualified to discharge its duties. I have but little, if any, experience as a presiding officer, and can only say that what I have done, I have done wishing to do that which was right, and for the furtherance of the interests over which we have been deliberating, and that if I have made any mistakes, you will please attribute it to errors of judgment, and not to intention. You have, gentlemen, all of you, shown a spirit of comprehension and an earnest desire ultimately to arrive at conclusions and a knowledge of this subject, which does credit to you all; and when we assemble again, I feel that we shall all be more sensible than even now to the great benefit which we have derived from our meeting together, and from the information which has been laid before us, and which we shall receive from those documents which we have obtained, and which we shall have ample time to peruse and study during our recess. Gentlemen, when we have separated, we shall all, I know, remember this meeting with great pleasure. Let us look forward to the time of our reunion, and let us come determined, to the extent of our abilities, to perfect the work which we have so well commenced.

Mr. NOYES—Last evening it became necessary for the gentleman from Missouri, to leave, and also Dr. Atchison, of Tennessee. Those gentlemen, being on the same committee as myself, charged me to say to you, sir, in their behalf, that they had enjoyed this convention more than any convention of any kind that they had ever before attended, and that they took home with them a feeling of respect for every member of the convention, and a lively interest in their welfare. And they also wished me to express their appreciation of the courtesy and kindness of the insurance companies of the city.

Mr. PAINE, at 3.30 P.M., moved that the convention adjourn. Carried.

The PRESIDENT—The convention stands adjourned until the 18th of October next.

APPENDIX.

PAPERS AND ADDRESSES.

ACCOMPANYING THE REPORT OF THE COMMITTEE ON RATE OF MORTALITY,
RATE OF INTEREST, VALUATION, ETC., HON. G. W. SMITH, OF
KENTUCKY, *Chairman.*

BY MR. F. S. WINSTON, PRESIDENT OF THE MUTUAL LIFE
INSURANCE COMPANY, OF NEW YORK.

NEW YORK, *June 10, 1871.*

HON. GUSTAVUS W. SMITH, *Chairman, Committee on Rate of Mortality,
Interest, Valuation, Premiums, &c.*

DEAR SIR: I avail myself of your courteous request to prepare a communication upon some of the very important points referred to your committee.

Most of these are fundamental, forming the basis upon which the business of life insurance rests.

It is, therefore, a proof of the wisdom of the members of the convention that instead of taking crude and hasty action upon such vital principles, involving such immense results in the future, they have elicited from each other, and from persons not members, such information and facts as they could collect during their brief session, and have placed them in such a form as will enable them, in the quiet of their own offices and with such further aid as they choose to seek, to arrive at deliberate conclusions upon the various topics presented, and to return in the autumn with matured views to guide their action in convention.

MORTUARY EXPERIENCE AND TABLES.

One great difficulty under which we labor in this country, at this time, is the brevity of our experience in insurance.

Life insurance has not yet existed the full term of a single generation. It is obvious, therefore, that until we have the experience of a *full generation of insured lives* who fairly represent, in race, territory, occupation, habits, etc., etc., the class who are likely to insure in the future, we have not the material facts absolutely necessary to establish a reliable table of mortality, or one upon which we may safely rest our calculations, without allowing a large verge and margin for contingencies and for future developments.

The experience of different companies varies now, from various circumstances, and will continue to do so in the future, rendering it necessary

to collect *data* from many institutions and sources, and also such as will cover a sufficient period of time before an accurate American table of mortality can be constructed. This question, therefore, arises: Shall this want of time and the diverse and deficient experience at home, force us to adopt for future use the English tables used in Great Britain as more accurate and permanently reliable than our own?

I think not, and for many reasons. An American experience should hereafter form the basis of American tables of mortality, modified by such collateral use of the English tables to supplement our own, as may be found to be necessary, until time and experience render us independent of any foreign source.

It would be equally wise to take the coast survey of Great Britain and adopt it as a chart of our own shore of the Atlantic, as to make the homogeneous races of that empire, with its limited extent of territory, similarity of climate and of occupation among its inhabitants, an absolute guide in mortuary experience in this broad land, where all nations mingle, and where every variety of temperature and of occupation exists.

Our aim should, therefore, be, American tables, grounded on American experience, to be carefully ascertained and compiled as fast as developed in our American life insurance companies.

RATE OF INTEREST AS A BASIS FOR PREMIUMS AND RESERVES.

For the fifty years previous to our late war, it is admitted that the rate of interest realized on *first-class securities* has not exceeded 5 per cent.

The views of the secretary of the treasury are now before the public embodied in the Congressional legislation authorizing the issue of large amounts of United States stock bearing interest at 4, at $4\frac{1}{2}$ and at 5 per cent per annum, which it is expected by him will be taken by capitalists and others in this country and Europe. While it is doubtful whether these expectations will be borne out in this case to the full extent anticipated, yet, owing to the deservedly high credit of the securities of our general government, many of our states, cities and corporations, a large amount will in future be negotiated in Europe, thus leaving the private and corporate capital accumulated in our own country to a large extent, and in the aggregate to a large amount, to seek investments in the ordinary ways—through business operations, loans, real estate, etc.

What the effect of the *largely increased amount of gold* which has been produced within the last few years, upon the prospective rates of interest will be it is impossible now to determine. It is quite certain, however, that it is not likely to enhance the rate of interest to be realized on first-class securities. We do not believe that the rate of interest in this country, for many years to come, will be as low as is likely to rule in Europe. But yet some approximation may be made toward it and probably will be, on that class of securities which are considered as most sound and reliable and which should alone be used in life insurance.

In determining the rate of interest which should be taken in establishing the rate of insurance and the basis for reserves, we must bear in mind that life insurance contracts are long contracts—in many cases reaching to a period of sixty years and over. In establishing a basis, therefore, for contracts that are to exist for this length of time, it is necessary for us to fix them upon such a conservative basis as to the rates of interest used and the securities held, as will not disappoint the parties holding policies, when the period of the contract closes, and the obligations are to be paid.

That the calculation of receiving 4 per cent interest is a safe one for the future, we believe few if any will doubt. Many persons believe that $4\frac{1}{2}$ per cent is sufficiently conservative; and this may be and probably is

the fact. A higher rate of interest than $4\frac{1}{2}$ per cent evidently would not be safe, when we take into consideration the fact that a certain amount of expense and risk is connected with these investments of funds, and that the rate of interest on such securities as should form the basis of life insurance has not as yet, as a rule, exceeded 5 per cent during the period already mentioned, and is not likely to be higher, it is believed, during the period while existing or future contracts of life insurance are to run.

We believe that *no sound institution will complain at the establishment of such a basis as is entirely secure, though it may entail ECONOMY IN EXPENSES and MODERATION IN DIVIDENDS.* Many of them are in the habit of making dividends from year to year, and can, therefore, return promptly to their policyholders such an excess of premiums as may not be necessary to provide for future obligations.

The subject of the prospective value of money is one of very great importance—and the questions for solution in connection with it are such as can be best answered by business men engaged in financial and other pursuits, rather than by those who occupy themselves with the technical and professional business of life insurance.

Other important questions connected with life insurance have been presented and discussed in the convention and by and before its committees with great ability and minuteness, obviating the necessity of further facts or arguments.

But the questions most vitally important are those now before your committee, and on which you are to report in October to the convention for final action.

Correct mortality tables and a safe rate of interest as a basis for rates for insurance, ample reserves to cover all contingencies and sound and reliable assets always available, out of which to pay obligations as they mature, are the corner stones upon which life insurance rests.

Lacking either, a company will sooner or later fail. The business of life insurance is now on trial before the American public, and its verdict will greatly depend upon the course marked out for it by your convention.

Two systems are in operation and are contending for patronage and favor before the public,—that of *conservatism* and that of *audacity*.

The means employed by each are known to you now, and the results will manifest themselves in due time.

It will, of course, be understood, that as our business and interests are connected with mutual insurance, and not with proprietary or stock companies, the facts and suggestions herein contained are intended to apply only to the former.

Believing that your labors and influence and that of your associates in the convention will be to throw around this most sacred of all pecuniary trusts held for the widow and the orphan, the protection of sound principles, wise laws, and prudent and economical administration, I am, very respectfully, your obedient servant,

F. S. WINSTON, *President.*

BY WM. H. C. BARTLETT, LL. D., ACTUARY OF THE
MUTUAL LIFE INSURANCE COMPANY.

MUTUAL LIFE INSURANCE CO., OF NEW YORK, *June, 1871.*

To Gen. G. W. SMITH, *Insurance Commissioner for Kentucky, and
Chairman of Committee on Statistics, Mortality, &c.*

DEAR SIR: You have expressed the wish to know my views on the following points in life assurance, viz.:

1. Calculations of net premiums and net values generally,
2. Rates of Mortality,
3. Rates of Interest,
4. Surrender Value,
5. Varieties of policies,

And I give them most willingly, simply to comply with your request, and with no purpose to teach others, much less to war against their opinions. I had determined to express no views of my own to the convention of which you are a member, unless asked to do so.

The first three points are readily disposed of; for the ratio of mortality and of interest being settled, the first will be included in the well known and well understood formula which gives net values in functions of these.

1. THE RATE OF MORTALITY.

It is too soon to disturb definitely the generally received mortality rates; and we can only follow, for the present, the safe rule of doing the best we can under existing circumstances. The habits of our people, made so different from those of the old world by peculiarity and variety of climate, more abundant supplies of food and comforts of life, unrestrained freedom in the choice of pursuits and other causes that so materially affect the vital statistics of a people, make it very desirable for us to have an American scale of mortality rates. But our experience is not yet sufficient. Besides, our only reliable sources of information are our insurance companies and the experience of these is with selected lives which would give, as a general thing, rates too low for safety. Our census returns are worthless in this regard. So that we must wait, hope and work for better results than we now have. We are using, in the Mutual Life, of New York, an American table which, thus far, has worked well; but it does not cover even a single generation, and we may, and probably will find cause for material change.

2. RATES OF INTEREST.

This is a financial rather than an actuarial question. I would greatly prefer the opinion of able, judicious, experienced and unbiased business men, to any I could form on the subject. They alone can tell, from the general course of trade, what the wants of the community at large will probably be in the future. Only one thing is certain, and that is, that the rate adopted for computations of net values, must be always a

trifle lower than that ever reached in the business operations of the country at large. The amount now assumed by life companies is but little short of that of our national debt, and its present value is so large as to make its investment at high rates, with perfect security, very difficult; and the difficulty will increase as the fund grows larger. To be obliged to loan at a rate of interest below that assumed in the computation of premiums, would be disastrous to a company. Much better assume the rate too low and return, at stated periods, the over-payments than to be deficient in net reserves, for this would be fatal. No trust is more sacred than that committed to an insurance company. Individuals may speculate upon the future, but an assurance company, never. My own judgment is decidedly in favor of a low rate of interest, say four, and very moderate loadings. This rate ought to be the same throughout the country, and the states should adopt it as the basis of valuation. I am quite aware that this would be unpalatable to stock and feeble mutual companies. These companies desire a high rate of interest for valuations, because it would reduce their reserves, and let loose from their coffers a large amount of money of which the retention in safe investment is essential to safety, to be employed for purposes outside of the business of assurance. Besides, a high rate of interest and consequent low valuation is calculated to produce discontent among those who desire assurance and reason but little about it. They would naturally infer that if the law-making power deem such a rate proper for valuation, it ought to be equally so for the computation of premiums, and in this way be led to seek assurance in companies not safe.

3. SURRENDER VALUE.

This is a question about which there has been the greatest diversity of opinion. It has been solved differently by different actuaries of eminence, and the solutions applied in a way to work great injustice and discontent. In most of the English works on life assurance, the authors confound the surrender value with reserves; whereas they are very different. A reserve of an individual member of a company, is what a company should have to the member's credit at a given epoch after subtracting from the amount paid by him, augmented by its interest earnings, his proportion of the death claims that have matured up to the same epoch. A surrender value is the amount a company should pay to abrogate a contract between itself and one of its members.

What are the terms of this contract? The company promises to pay to the heirs of the assured, at his death, whenever that may happen, a certain specified sum of money. And the assured pays, in consideration, another sum down, called—let us suppose—a single net premium, which is the present net value of the assurance. And what are the conditions this premium must fulfil? It must be such as to amount, at compound interest, to the sum assured, should the member live to the greatest age of the tables, and, besides, it must contribute its share to the payment of the death claims, from year to year, of other members that die before attaining to this age; and this obligation to pay death claims must last during the life of the assured, which life is assumed, in the original agreement, to extend to the oldest limit of the tables of mortality employed in computing the premium.

The company and the assured have, therefore, a joint interest in the policy of the latter. The present money values of these interests being found at the time of surrender, their difference will obviously be the surrender value.

The price of surrender value should depend upon the condition of the applicant as regards health at the time. But the circumstances of this condition are generally so multifarious, ill-defined and uncertain, as to

afford but little basis for mathematical computation. The company can afford to be liberal to a member whose vital powers are rapidly ebbing, while it should be stringent, yet just, to one in the opposite condition. The former class seldom apply for discharge while the latter frequently do.

It would relieve the question of much embarrassment, if medical advisers could designate, with any tolerable precision, the number of years an applicant for surrender would probably live. But as this cannot be, the mathematician must solve the problem on the assumption that the only differences of vital powers are those arising from differences of ages. The results of the solution made upon this hypothesis, should, however, be modified in amount and made to conform somewhat to the judgment of medical counsel and officers of the company.

Supposing, then, that the members of a company are equally good in all respects, except in the matter of age, the determination of the surrender value will result from the fact that the company and each of its members have a joint interest in the policy of the latter. The present values of these interests being found, their difference, it is clear, will be the value sought.

1. What is the company's interest in any particular policy? Obviously, the present value of the sums the policy would, if continued in the company in its present condition, contribute from year to year, to pay death claims on other policies.

2. What is the interest of the assured or of his heirs in his policy? The answer is, the present value of the reversion or sum the latter would receive at death of the owner, provided he pay nothing more than he has already paid. This is, obviously, the present reserve.

Make

Π_x = Single net premium at age x , to insure one dollar at death.

Π'_x = Single net premium at age x , to insure one dollar at any time.

R_x = Net reserve on policy at age x , when surrender is made.

m = Number of years the policy has to run to maturity.

n = Difference between the oldest age of tables and that of policyholder at time of surrender.

V^x = Present value of one dollar due in x years.

g = Sum assured or amount of policy.

Then supposing R_x to be the reserve on an annual premium policy, and a premium just due, the reversionary sum would be

$$g \cdot \frac{R_x}{\Pi'_x};$$

and the present value of the sum which the policy, in its present condition, would contribute to death claims is

$$g \cdot \frac{R_x}{\Pi'_x} \left[V^{x+1} \cdot \frac{d_x}{V^x l_x} \cdot (1 - R_{x+1}) + \dots + V^{x+m+1} \frac{d_{x+m}}{V^x l_x} \right];$$

and, denoting the surrender value by Q , we have

$$Q = g \cdot \left[R_x - \frac{R_x}{\Pi'_x} \left(V^{x+1} \cdot \frac{d_x}{V^x l_x} + \dots + V^{x+m+1} \frac{d_{x+m}}{V^x l_x} \right) + \frac{R_x}{\Pi'_x} \cdot \left(V^x + \frac{d_x}{V^x l_x} R_{x+1} + \dots + V^{x+m+1} \frac{d_{x+m}}{V^x l_x} R_{x+m+1} \right) \right]$$

But

$$V^{x+1} \frac{d_x}{V^x l_x} + \dots + V^{x+m+1} \frac{d_{x+m}}{V^x l_x} = \Pi'_x$$

Whence,

GENERAL FORMULA.

$$\mathcal{Q} = \sigma \cdot \frac{R_x}{\Pi'_x} \left[\frac{V^{x+1} d_x}{V^x l_x} \cdot R_{x+1} + \dots + \frac{V^{x+m+1} d_{x+m}}{V^x l_x} \right] \dots (1)$$

LIFE.—SINGLE PREMIUM.

Take the life single premium as the standard, and we have

$$R_x = \Pi'_x = \Pi_x; \text{ and } m = n, V^x l_x = D_x$$

Whence

$$\mathcal{Q} = \sigma \cdot \frac{V^{x+1} d_x R_{x+1} + \dots + V^{x+m+1} d_{x+m} R_{x+m+1}}{D_x}$$

Tabulate the numerator of the second member, under the head T , after the manner of the commutation columns $N, M, S, \&c.$ Then will

$$\mathcal{Q} = \sigma \cdot \frac{T_x}{D_x} \dots \dots \dots (2)$$

And the general Equation (1) may be written

$$\mathcal{Q} = \sigma \cdot \frac{R_x}{\Pi'_x} \cdot \frac{T_x - T_{x+m+1}}{D_x} \dots \dots \dots (3)$$

LIFE.—ANNUAL PAYMENTS.

In this case

$$\Pi'_x = \Pi_x; T_{x+m+1} = T_{x+n+1} = 0; \text{ and}$$

$$\mathcal{Q}' = \sigma \cdot \frac{R_x}{\Pi_x} \cdot \frac{T_x}{D_x} \dots \dots (4)$$

LIFE.—LIMITED PAYMENTS.

Here again

$$\Pi'_x = \Pi_x; m = n; T_{x+m+1} = T_{x+n+1} = 0, \text{ and}$$

$$\mathcal{Q}'' = \sigma \cdot \frac{R_x}{\Pi_x} \cdot \frac{T_x}{D_x} \dots \dots (5)$$

this differing from the last case only in the value of R_x .

TEMPORARY.—SINGLE PREMIUM.

Here the general formula becomes

$$\mathcal{Q} = \sigma \cdot \frac{T_x - T_{x+m+1}}{D_x} \dots \dots (6)$$

because $R_x = \Pi'_x = \Pi_x$.

TEMPORARY.—ANNUAL PREMIUMS.

In this case the general formula becomes

$$\mathcal{Q}' = \sigma \cdot \frac{R_x}{\Pi'_x} \cdot \frac{T_x - T_{x+m+1}}{D_x} \dots \dots (7)$$

SIMPLE ENDOWMENTS.—SINGLE PREMIUM.

The company has no interest in the longevity of the holder of this kind of policy. On the contrary, by the principle of the Tontine, its interest is in his early death—at least, death before the policy matures.

The reserve being \bar{R}_x , the probability that this will lapse to the Company by death, before maturity, will be

$$\frac{d_x + d_{x+1} + \dots + d_{x+m}}{l_x};$$

and the company's interest in this reserve is

$$d. \bar{R}_x \frac{d_x + d_{x+1} + \dots + d_{x+m}}{l_x}$$

and the surrender value, being the difference between this and the reserve, is

$$\bar{Q} = d. \bar{R}_x \left[1 - \frac{d_x + d_{x+1} + \dots + d_{x+m}}{l_x} \right] \dots (8)$$

Tabulate the $d_x + d_{x+1} + \dots$, and use as in commutation columns.

SIMPLE ENDOWMENTS.—ANNUAL PREMIUMS.

The same as above, except \bar{R}_x becomes \bar{R}'_x , being the reserve due to an annual instead of a single premium.

$$\bar{Q}' = d. \bar{R}'_x \left(1 - \frac{d_x + d_{x+1} + \dots + d_{x+m}}{l_x} \right) \dots (9)$$

ENDOWMENT ASSURANCES.—SINGLE PAYMENT.

In this case take the sum of Equations (6) and (8); or

$$\bar{Q} + \bar{Q}' = d. \left[\frac{T_x - T_{x+m+1}}{D_x} + \bar{R}_x \left(1 - \frac{d_x + \dots + d_{x+m}}{l_x} \right) \right] \dots (10)$$

ENDOWMENT ASSURANCES.—ANNUAL PAYMENT.

Here take the sum of Equations (7) and (9); or

$$\bar{Q} + \bar{Q}' = d. \left[\frac{R_x}{\Pi'_x} \frac{T_x - T_{x+m+1}}{D_x} + \bar{R}'_x \left(1 - \frac{d_x + d_{x+1} + \dots + d_{x+m}}{l_x} \right) \right] \dots (11)$$

The reserves R_x and \bar{R}'_x must be, the first for the assurance part of the policy, the second for the endowment.

In regard to the different "varieties of policies" now offered to the public by life insurance companies, little need be said. The best policy for the assured, and therefore for the company, is undoubtedly the life policy requiring regular annual premiums. All other forms are based upon this, the oldest and best understood.

The different forms of limited premium, endowment assurance, joint life, survivorship, and so-called return premium policy, may, in rare cases meet some particular want. But they are not always understood, and have sometimes been grossly misrepresented to the damage of the cause and the loss of the assured. Very respectfully yours,

WM. H. C. BARTLETT.

FROM JNO. H. BEWLEY, SECRETARY OF THE UNIVERSAL
LIFE INSURANCE COMPANY.

NEW YORK, May 12, 1871.

To the Hon. Geo. W. Miller, Superintendent of the Insurance Department of
the State of New York.

DEAR SIR :—Understanding that the question of the valuation of the liabilities of life insurance companies, as proposed in your bill introduced into the Legislature last session, will probably be discussed at the coming meeting of State Insurance officials, I beg to submit for your perusal the following brief memorandum of some of the reasons which, in the opinion of the officers of this company, may be urged in support of the provisions of the bill to which I have alluded.

Hoping that this communication may not be considered irrelevant, I have the honor to be

Your obedient servant,

JNO. H. BEWLEY,

Secretary of the Universal Life Insurance Company.

The stock or low-rate companies claim that in estimating their liabilities for purposes of a state valuation, a lower rate of interest than that assumed in the calculation of their premiums should not be adopted. The validity and justice of this claim, and the propriety of admitting it, evidently depend upon the *sufficiency of the rate assumed by these companies in the calculation of their premiums*. If this rate is such as to afford a reasonable certainty of its being realized on their investments in the future, the companies cannot be considered otherwise than organized on a *practically* sound basis in this respect. To assume, therefore, a lower rate of interest in testing their solvency, and thus theoretically showing them to be *insolvent*, would be a stultification in judgment, no less than a great injustice to the companies themselves. The rate assumed by the low-rate or stock companies, as that likely to be realized on present and future investments, is *six per cent*. *Is this a safe assumption?*

1. INTEREST—As regards the rate of interest obtainable on investments, all the circumstances affecting it go to establish the strong probability—almost the certainty—that the present rates will be fully maintained for at least several generations.

In the great natural resources of the country continuing to supply the material for the industry of the people, so as to make it an object to them to offer large inducements for the loan and use of capital, we have one of the strongest reasons for believing in a corresponding continuation of the present rates of interest. Money is essential to labor in the work of production, and it is clear that the greater the profit arising to labor, the greater will be the amount which it can afford to pay to capital for its use. There is no reason for believing, in view of the following facts, that any material reduction in the profitableness of labor, and the consequent demand for the use of capital can take place in this country for a very lengthened period: Of the land available for the profitable growth of cotton, *not three per cent* has ever been at any time put under cultivation; of coal, the most available source of motive power, the deposits of

the United States greatly exceed the aggregate of those of all other countries; our deposits of metals can scarcely be said to have been yet explored; our area of unoccupied fertile land, *free* to settlers, is yet in excess of a thousand millions of acres; while the varieties of climate, soil and crops are such as to ensure the United States from what in other countries is ever a source of anxiety, namely, a deficiency of food.

The immense extent, therefore, of our unoccupied domain, and all that is implied in its gradual occupation, and the development of its immense resources; the towns and cities to be built; the roads, railways and canals to be constructed, with the mining, manufacturing and husbandry necessary to the stupendous future of the country, afford evidence complete that there can be no diminution for a long time to come of the present demand for capital, or of the opportunity to use it under such conditions as will warrant the continued payment of at least the present average rates of interest.

The plea, therefore, that the high standard of reserve implied in a four or four and one-half per cent valuation of the liabilities of life insurance companies is justified on the ground of *security*, in view of a possible permanent reduction in the rate of interest, cannot, we contend, be reasonably maintained.

Hence, we are clearly not warranted in adopting the conclusion that a life insurance company, in assuming six per cent as a practicable rate of interest to be received in the future on its investments, is established on an unsound basis. The claim of the low-rate companies, therefore, to be valued in accordance with the assumptions on which their premiums are based—these assumptions being safe—seems to be founded on justice and propriety. And it is difficult to see any sufficient reason (seeing that these companies *are* organized on a practically sound basis), for compelling them to make an official exhibit of their affairs, on a mere theoretical assumption, an assumption which is inconsistent with fact and probability, and which would have the effect of exhibiting them to the world as insolvent, thus prejudicing them in the estimation of the public, and impairing their usefulness, if not practically prohibiting them in the prosecution of their business.

It may, possibly, be urged by the advocates of the *mutual* or high-rate system, that if it be sufficiently safe for stock or low-rate companies to reserve at six per cent, it is equally safe for mutual companies; and that the discrimination shown in favor of the stock companies, is an injustice to the mutuals.

In answer to this it will at once be admitted that *so far as it affords the sufficiency of the reserve fund* to meet maturing liabilities is concerned, a six per cent valuation would be equally as safe for mutual as for stock companies. But it must be remembered that the premiums charged by mutual companies are calculated upon the assumption of a *four* and four-and-a-half per cent interest, and that consequently there is an immense margin, *the property of the policy-holders*, deposited, as it were, in trust, with the mutual companies, and for which in their contract with their assured they enter into no written or binding obligation to return. It is to insure the safety of this margin, for the benefit of the policy-holder, that a four-and-a-half per cent valuation becomes requisite and appropriate for mutual or high rate companies. If this high standard was not adopted in their case, there is too much reason to believe that in the majority of instances the margin alluded to would be largely encroached upon, if not altogether appropriated (under the pressure of a keen competition for business), to a useless, and, to the policyholders at least, a profitless extravagance.

2. **MORTALITY.**—Another reason alleged by the advocates of the present high standard of reserve required for life insurance companies, is a possible increase of mortality among the insured above that indicated by the tables generally adopted by the companies.

We are not aware of any time since the first establishment of life insurance as a business—say for nearly two centuries—when the mortality amongst the members of life companies has been sufficiently in excess of that predicted by the tables to cause serious apprehension or embarrassment. Now, unless the advocates of the present high standard of reserve are prepared to ignore the very foundation upon which the business of life insurance is based, and the very

theory of its security—EXPERIENCE—or to show that the contemplated contingencies of increased mortality, or a diminution in the rate of interest, are more likely to occur in the future than they have been in the past; they certainly, in the face of such extended experience, must be compelled to acknowledge that the present high standard of reserve is entirely unwarranted on the plea of security. This plea is constantly put forward by the advocates of the present standard, but they have failed to bring a single tangible argument to its support. A three per cent standard would afford still greater security. Why do they not advocate it? If the value of interest is to be recognized at all as an element in the calculation of premiums, why not give it its full power of usefulness within the limits of practical safety?

As regards a possible increase in the rate of mortality, every adverse influence on longevity—and notably amongst the insuring classes—has, of late years, been constantly mitigating. The means and appliances of comfort and health are more generally understood and available. Pathology has made and is still making immense strides, resulting in a corresponding saving in human life; while the establishment of hospitals specially adapted to the treatment of different diseases, brings the very best medical and surgical talent within the reach of the most humble. Sanitary precautions against epidemics are much better understood, and are maintained by force of legislation, materially aided by the enterprise of the benevolent. Accurate statistics prove beyond a doubt that, owing to these influences, the average duration of human life is on the increase.

3. EXPENSES.—Concerning the expense of conducting the business, considered as an element in the construction of the premiums, and technically designated the "loading," it may be stated that to men of ordinary mercantile sagacity, possessed of the requisite experience, there is no difficulty in estimating this item with a closeness sufficient for all practical purposes; while in life insurance, as in any other business, prudent and interested management may so control expenditure as to avoid all difficulty and apprehension respecting it. This point, moreover, is likely to engage more strict attention in *stock* companies, by proprietors whose emoluments from the business depend largely upon the economy with which it is managed, and may consequently be safely confided to their care and discretion.

The subjects of interest, mortality and expenses having been considered, as bearing upon the question of the reserve to meet the future liabilities of life insurance companies, there are other arguments which, it is respectfully submitted, should have much weight in support of the position taken by the stock, or low-rate companies, in favor of a rational rate of premium reserve.

It must not be forgotten that these companies *are already in existence*, and transacting a large and successful business; that their system, based upon premiums which the most sagacious financiers, statisticians and business men, as well as the most famous actuaries in this country contend, are amply sufficient and clearly within the limits of practical safety—is supplying a great public want, and is rapidly growing in public favor—and that their policyholders may be already numbered by tens of thousands, who have chosen the "stock plan" of insurance from an intelligent appreciation of its merits, as being abundantly safe, and because in the assumptions regarding interest, expenses, and mortality, it is more in accordance with present and past experience and future probability than the so-called "mutual system."

It will thus be seen that vital interests of a vast number of persons are already involved. These interests were allowed to be created under the present laws of the states prescribing the valuation of the liabilities of life insurance companies on a four and four and a half per cent basis, and a (presumed) perfect knowledge on the part of the state officials, charged with the administration of these laws, that with the increase of business the margin between those bases and that of *six per cent*, upon which the stock premiums were calculated, and which for a period would be supplied by the subscribed capital, would be continually narrowing, and would, finally, become extinguished. This would result from the gradual growth of the business and the consequent

encroachment on the capital stock to meet the requirements of the higher legal standard of reserve not provided for in the premiums.

If the law of a four per cent reserve is to be now enforced against these companies, it is both just and logical to charge *it* with the consequences; or, must the law plead its own ignorance or carelessness, in granting charters to these companies, and authorizing them to carry on business for years on a basis which must, *under the law*, and in consequence of its provisions, cause serious loss to tens of thousands of persons, and utter ruin, perhaps, to a vast number of innocent people, who trusted in it for protection? For the enforcement of the law, as it stands at present, must inevitably result, sooner or later, in the *technical* insolvency of these companies, and all the ills consequent upon their forcible extinction. If, however, it can be shown, as we have endeavored to do, that the law itself is illogical, oppressive, and based upon insufficient or erroneous information of the *facts* which prompted its enactment, it is clearly only just that it should be so modified as to meet the true and reasonable requirements of the case, and this relief is sought by the policyholders, stockholders and managers of the corporations conducting life insurance on the stock or low rate plan.

REMARKS MADE BY HON. WILLIAM BARNES.

I am very much delighted, Mr. Chairman, to find this contrariety of views among the gentlemen assembled here from the twenty-one different states, although it may not seem to be exactly in the process toward harmony to commend dissimilar views; but I have no doubt that it is the precise road to harmony. I am very much pleased to see the interest manifested by the gentlemen representing these different states, and especially by those representing the companies. I have felt for years the prime need of consultation in the business of Life Insurance, with men who really had a desire,—a zealous desire, to learn the various points connected with the business, officers of states, officers of companies, agents, and all others connected with it. I am fully impressed with the opinion that the more this subject is studied by supervising officers, officers of companies, agents, and managers, the better it will be for the business, and the better it will be for the general interests of the public. It is peculiarly an American province, in which we are not alone, to have a separate and individual opinion, and in the conflict of these opinions we generally get down to the "hard pan" of the truth after a while. As you have called upon me to express my opinion, I shall take the same liberty that other gentlemen have, to give my own views.

I am rather astonished by some of the views presented by our great authorities on the subject of life insurance—of some of our best actuaries who have been heard this evening in reference to the safety and harmony of a six per cent basis of valuation for a stock company. The views are somewhat novel, and I have not given much reflection to them, because they are so new. Upon this whole subject of a standard of valuation—a Procrustian standard I might call it, because it is so, on a net valuation system—I have had considerable correspondence with Germany, especially with the Gotha Life, and the German companies and actuaries decline to harmonize on any general standard of mortality and interest. Under the recent "Companies Act" of Great Britain, there is no fixed standard of mortality and interest. You cannot tell whether a company is solvent or not, because there is no legal standard by which you are to test its solvency; but a company is required to return its own standard of interest and mortality, assumed in making the valuations contained in its report. The rule of *caveat emptor* then applies. They make their own valuation, and if it is a safe and correct standard, you can take a policy or not, as you choose.

I was placed in that very position when the Insurance Department of this state was organized. When I examined a life company, there was no legal standard as to its solvency—no rule even as to whether a gross or net valuation was to be adopted, and it was at the discretion of the superintendent to decide whether a company was solvent. In only three cases, those of the International, and British Commercial, of London, and the American Mutual, of New Haven, were special examinations made, resulting in decisions against the companies. In the case of a New York state company being examined, the decision of the superintendent was, of course, reviewable before the court, and the court could pass judgment on the ruling of the superintendent; it had a perfect right to do so, whenever a company felt aggrieved and controverted the decision of the superintendent.

It is somewhat flippantly asserted, that a net valuation is an incorrect way of testing the status of a life company and its liabilities. It seems to me, it is

entirely perfect as a test—perfect with two assumptions, that the rate of premium is in excess of the net rate, and equivalent to a loading sufficient to provide for future expenses and contingencies, according to the experience of the company. With these qualifications the test is entirely perfect, as perfect when you get the average of lives as it is possible for any human institution to be. It is precisely as correct as a gross valuation with these assumptions, that the premium is equal to the net premium, and there is enough in excess of it to provide for the future expenses and contingencies of the company. What else do you want? There is nothing else that can be had. Of course, all the while assuming that your rate of interest and table of mortality is correct. Assuming that, then the test is entirely perfect.

If a gross valuation was practicable for state purposes, where a million policies may soon have to be valued, this method is, undoubtedly, more scientifically and legally accurate than a net valuation, for the reason that in a gross valuation you estimate the present value of the actual premium payable on the one side, and of the assurance obligation on the other, which is in entire harmony with the soundest legal and the strictest mathematical principles. But you are again forced to estimate an element which is, to a certain extent, uncertain, when you deduct from the present value of future premiums an amount sufficient to provide for future expenses, dividends and contingencies. On what principles shall this sum be estimated? Here is the critical point in a gross valuation, and one surrounded with peculiar temptations and dangers. Cases may occur where a company's rates are such as to render it necessary to apply a gross valuation in order to satisfactorily test its condition.

Even with a company so weak in assets, in proportion to liabilities as the Albert, of London, special legislation has been initiated in Parliament, the object of which is to continue the existence of the company, for the purpose of thereby promoting the best interests of the policyholders, instead of burying their interests in the coffin of the court of chancery. The protection of the policyholders should be the first and grand object, and ordinary dissolution and liquidation is to them, generally, almost equivalent to total loss. Reinsurance or continued life in some form is much better. A gentleman has said that a company that has not enough assets to be sound on a net valuation, may still be practically sound, which is correct. A life company in this country, in a business point of view (and but for the statute, in a legal point of view), may be entirely competent to pay all its obligations at maturity and still be insolvent according to our statute test. Take the Mutual Life. I allude to that as the heaviest company, its assets being about fifty millions. You value that company on a net valuation at $4\frac{1}{2}$ per cent interest, and the company actually receives $6\frac{1}{2}$. There is two per cent surplus interest or a million of dollars a year, that comes in all the while as excess of interest; ten years makes ten millions of dollars to say nothing of the compound interest in the interim. So that a deficiency of ten millions of dollars in the Mutual Life can be made up by excess of interest in a period of time, definitely calculable.

The saving on mortality and the miscellaneous profits would of course add yearly to the surplus interest funds. A company under our statute test can be legally insolvent and actually able in a business point of view to pay all its obligations at maturity. This has been partially shown in the case of the American Mutual of New Haven. They have gone on paying for seven and eight years after having been excluded from New York and Massachusetts. So that when you come to turn over a life company into the hands of a receiver, that is a matter on which there ought to be a great deal of hesitation. Indeed, I do not think that the ordinary statute proceedings for liquidating other corporations should be applicable without amendment to life insurance companies which have peculiar features contradicting them from all other corporations.

If we choose, we can adopt the English or the German system of allowing each company to judge for itself as to a proper standard of interest, mortality, and reserve, allowing it to go into court every time the question of insolvency is raised, and test it by the opinions of actuaries and ex-

perts. I am willing to give my opinion, as the result of my best experience on the subject. I would compel a company to keep up the statute reserve, with the privilege of impairing its capital to 50 per cent as provided by the bill of last winter. When the impairment exceeds this percentage, if the stockholders would not pay up an assessment to make up that deficiency, steps would have to be taken toward liquidation or re-insurance.

I think that the provision of Mr. Miller's bill, in this respect, was a very proper and reasonable rule to adopt in all these cases.

I should require a mutual company to have an extraordinary reserve, of the same amount as the minimum capital required for the organization of a stock company, that they could stand on the same platform. That was the practice I adopted when I was superintendent.

In reference to making any distinctions as to the standard between a stock and a mutual company:—what is a stock company? Do you allow your policyholders to participate in the profits of the company, in any shape? No. Then the company is purely a stock company. Take the case of the New York companies, where they are mixed companies—what is going to be your standard for them, or for an immense company like the Equitable, which is substantially mutual, but in fact, is a mixed company, upon which they only pay the legal rate of interest which the capital earns. What is going to be your standard there? You are introducing confusion right off, if you make a difference with the companies.

In reference to having a standard of interest and mortality, does it make the slightest difference as to the necessity of having a certain amount of money to pay a policy at maturity, whether the company is a stock company or not? Does it make any possible difference in a legal, scientific, mathematical, or any other point of view? If \$100 is an adequate reserve fund, to pay a certain policy at maturity, it makes no difference whether that policy is issued by a stock, mutual, mixed, or proprietary company. What the state wants is an amount reserved sufficient to protect the policyholder, to whom that policy is issued,—perfect security that the policy shall be paid at maturity.

Upon the time necessary to be considered in fixing what rate of interest is to be expected, actuaries differ somewhat. It is generally considered by those who have made it a special study that we ought to cover a period of from 25 to 40 years. That is, that the assumed rate ought to be certain to be maintained for a period of from 25 to 40 years.

When we had the English life table, I recommended five per cent; then we attempted to compromise with Massachusetts, and it was fixed at four and a half. It is possible that five per cent might be safely assumed, but there were a great many contingencies about this business, and gentlemen differ as to the rate of interest which can be received in the future, and the assumption in the life insurance calculations is that this money is perpetually invested. You cannot allow a moment to lapse. When you assume this rate of interest you cannot lose weeks in making your loans. The Mutual Life now only receives about six and a half, though the legal rate is seven. In assuming this rate, we want to get at something which is about fair, as between the companies and the public, and without question safe, and then assuming that surplus interest is realized, the public get their recompense in the dividends, and the company has the advantage of the additional safety all the time, and is safe and sound in any event. As they receive interest over the assumed rate, they pay it over generally at the end of the year to the policyholder, so that neither the company nor the public loses the benefit of it.

There is a great difficulty in agreeing upon what is the exact rate of interest that ought to be assumed, and the best table of mortality. We have got to harmonize and agree upon something, or take the German, French and English plan of having no legal table at all. Every time a company is declared insolvent there, it goes into the courts, and gentlemen experts are called upon to swear what is the best standard to test the solvency of a life insurance company. From the experience we have had here, I have regarded it as settled that there must be a legal standard.

Another view was introduced, I think, into the state of Georgia prior to the war. That state had a statute by which the interest assumed in valuing the liabilities of a company was to be, I think, two per cent less than the rate of interest the company actually received for the prior two or three years. So that if a company received eight per cent interest, they would be valued on six, and if six and a half, valued at four and a half, and on that standard. But it is exceedingly desirable, if it is practicable and possible, to harmonize upon a given standard for the whole of the United States. Companies in the western states may average eight per cent. The bonds and mortgages of the company I represent are invested at ten per cent. Notwithstanding that, there should be some given standard fixed to test the solvency of life insurance companies.

Take the case represented by the eminent bankers of the National Life of Philadelphia. What standard should be applied to that company to test the present value of its liabilities or to arrive at its due re-insurance fund? They talk about adopting a six per cent basis, and then if interest goes down, hereafter of decreasing the assumed rate. You do not want to value them on a high rate and low reserve, and then reduce the rate and increase the reserve. The National Life of Philadelphia should be charged with a sum sufficient to meet its policies at maturity; and this rule should be uniform, whether policies are issued by Jay Cooke & Co., or by a man round the corner not worth a dollar.

I think it is entirely right and proper to have strictly proprietary companies; but those companies should not have the rules altered to suit them.

It does not make the slightest difference in a valuation whether a policy lapses or not thereafter. You take equivalent assets and liabilities out of each side, it does not make any difference in the test of solvency. The premiums of the National are, I believe, in excess of our New York standard net rates at four and a half per cent American Experience table of Mortality. So that, in one sense, you can say that a policyholder pays a premium on a four and a half per cent table, only it is slightly loaded. That is all. In some cases not loaded much, if at all.

I have heard talk about the companies computing tables of premiums on a six per cent rate of interest. You can, however, get precisely the same actual gross or office premium at six per cent as at four and a half per cent, by varying and adjusting the loading. If your premium is not sufficiently loaded, you may not be able to pay expenses.

As I have before suggested, a proprietary or stock company must get enough premium by which it can maintain a legal reserve. If, as Mr. Peet suggests, debiting his company with a reserve at four and a half per cent would show an impairment after 16 years business for five millions of dollars, it demonstrates that they cannot do business on that rate of premium. They must make up enough in some way or another to keep up a sum which, according to the accepted standard, will enable them to meet their obligations at maturity. Mr. Peet's company has a million of dollars capital—under the law proposed last winter, they could spend \$500,000 in building up their business, and still continue to do business in the state of New York. If they went beyond those figures and spent \$600,000, they would have to make an assessment on the stockholders, and they could go on in that way, throwing money into the business *ad libitum*, for the purpose of building it up. But capitalists ought not to be allowed to waste millions of dollars to build up a business without replenishing it whenever impaired beyond a reasonable limit. It would be disastrous to the general interests of the business, and to the public interests. I may state in one sense, that the rate of premium of the National Life, of Washington, was based upon four and a half per cent American Experience, loaded say three per cent; or whatever the loading might be by computation, or, you can state it the other way—that their rate of premium is on assumed rate of six per cent, loaded thirty, forty or fifty per cent, or whatever the loading may be. You compel a company to load by compelling it to reserve on a four and half per cent basis, American experience, because it must get enough money in some way to keep up its reserve. If their stockholders are willing to make up the money, all right. If they can run without it, all right. But the risk of success, and of main-

taining solvency, should be run by the stockholders, and not by the policyholders. A company is compelled to have a certain rate of reserve, and keep it up all the while. The New-York Life and Trust, a strictly proprietary or stock company, charge one of the highest rates in the United States; but it is not the proprietary companies generally that charge the high rates. If you have one standard for a purely stock company, or proprietary company, and another for a mutual, and another for a mixed, you get into confusion as to the standard, and introduce elements of perpetual conflict and confusion in legislation. It may be said: "Why not fix the premium arbitrarily, and by legislation, at once?" It is fixed indirectly.

The Gotha Life, of Germany, is now conducted, it is said, at an average rate, per expenses, of five per cent. In America, the business is done at too high an expense; and it is almost inevitable that it should be so at this present time, in consequence of the enhanced prices incident to the war, without any proportionate increase of the rates of life premiums. When I said that a net valuation was a perfect test of the solvency of companies, and in consequence, with the National Life, I said it on the assumption that the rate of premium was equal with the net premium, and that there was enough to provide for expenses also. In the case of the National, I do not know whether a net valuation would properly apply or not. I feel, on that question, that the greatest freedom ought to be allowed to experiment in this direction. Where a given capital was put up and imperiled, it seems to me that a superintendent would not be justified in making a gross valuation on a company like the National Life, unless the fact was that its rates of premium were below the net rate, or so near it as to render it certain that the company could not in the future maintain and keep up its re-insurance fund.

If a company like the National Life, with a capital of a million of dollars, should sink say \$600,000, and then make up the deficiency by assessment, and the company desired to avoid any such danger hereafter, then I should say, "You must make it up by diminishing expenses, or by slightly increasing the rate of premium," by which they would be compelled to conduct their business on a living basis. We ought to conduct the business on a sound basis.

Mr. Wright has introduced other views. But I have never seen why the capital of a life company should be treated differently from a fire or a marine company. With regard to a fire or marine company—if the percentage of impairment shall exceed twenty-five per cent after this, they must make up the deficiency or be wound up—why is it different with a life company, so far as the capital is concerned, except that more latitude of impairment should be allowed.

The capital of a company ought to be protected, and have money to represent it all the while, whatever the standard of valuation may be. It don't make any difference what the standard is for this purpose. I am talking now of the capital—that the capital of the life companies ought to be kept intact, within a margin of impairment of fifty per cent, it seems to me, which would be a very judicious standard to make.

That a company, when they have sunk half of their capital, ought to curtail in some way and reduce their business, or increase the rate of premium by which they would not sink the balance of the capital. Company after company in Great Britain has sunk the whole of its capital upon the idea that the good will of the business that they established would ultimately enable them to get the capital back. We ought not to carry that point beyond a reasonable limit. Our tendency is to spend too much. Companies are so anxious to get ahead of each other, that the tendency is to run the expenses at too high a rate.

The stockholders of the National assure the public that they can do business successfully on the rate of six per cent interest, and make a profit, beyond paying their obligations at maturity. We, the public, do not want to run a risk because these stockholders are wealthy. They say they are confident they can carry their obligations to maturity. They ought not, however, to ask that any different standard of reserve should be applied to them simply because they are organized as a purely business or money-making corporation. If any distinction is to be made (and none should be), it should not be in favor of purely stock or strictly proprietary corporations.

REMARKS BY SHEPPARD HOMANS, ESQ.

Mr. CHAIRMAN:—I, in common with other actuaries, have taken a great interest in the proceedings of this convention—more, however, as spectators than with the view or wish to participate in its discussions or deliberations, still less to make formal statements or remarks—I came here this evening, at your invitation, without preparation, but simply with a desire as far as it may be in my power, by replies to your queries, and by impromptu remarks, to aid in the accomplishment of the object desired, which I conceive to be a thorough discussion and ventilation of the subject of state supervision in life insurance matters, and the adoption of uniform systems and blanks by the different states, by which that supervision may be rendered more effectual, and at the same time less onerous to the companies.

It seems to me that one of the most important subjects that can be properly brought before you for consideration at this time, is that of the nature of a net valuation. What is a net valuation? What is accomplished by it, and wherein is it deficient? A subject may easily be injured by claiming for it more than is properly its due, and this, I think, has been the case with the one now under consideration. It is claimed by some of its advocates, that a net valuation is a test of the solvency or of the financial condition of a company. In my opinion, this is scarcely correct. It may serve to point out danger, but of *itself* it affords no test of solvency. It may be justly claimed that it furnishes evidence that the net premiums have been accumulated at the rate of interest assumed, and are in possession by the company. It may also justly be assumed that if the same course be continued, and the net premiums with interest are in future kept intact, and in possession by the company, the claims may undoubtedly be met at maturity. But there are cases in which a net valuation as a test of solvency will be found wanting. In my judgment, before any company should be pronounced insolvent by a state department, something more is necessary than a net valuation of its policies; in other words, the financial condition of any company can only be accurately ascertained by the proper consideration of the gross premiums receivable, care being taken to provide a fund for future contingencies and expenses. There can be no exhaustive test of the condition of a company unless the premiums actually receivable enter into the account. But this, it is evident, would render the duty of state supervision more arduous. And perhaps, all things considered, the system of net valuation is the best for the ordinary purposes of a state; with a proviso that in extreme cases, before proceeding to harsh measures, the commissioner be allowed to apply the test of gross valuation. There are some cases, however, in which the present system of net valuation is totally inapplicable. Take for instance the case of a stock company charging rates of premium less than the net rate at four per cent. By the present system of net valuation it is assumed that such a company will be in receipt of premiums, after deducting expenses, equal to a four per cent rate. Hence it is manifest that in such cases such a system of valuation would be purely fictitious and arbitrary. Suppose a company should be prohibited doing business in the state of Massachusetts, and that the officers of such company should obtain the separate opinions of competent actuaries as to its solvency, and that the opinion of those actuaries should be that the company was in a sound financial condition, as determined by satisfactory and proper tests; the result of such a conflict of opinion might be prejudicial to the system of state supervision. Would it not be desirable before pronouncing judgment against a company, to apply such tests as will place the decision beyond the reach of contrary opinion or argument?

In answer to a question by the chairman, Mr. Homans said:

As you are very well aware, sir, there are two standards of valuation employed by the different state departments, and the effect of having diverse standards is, of course, very manifest. It tends to throw doubt, and perhaps discredit, on the whole system of state supervision, and tends to neutralize the good effects which may otherwise be anticipated. I believe we are all in favor of the adoption of some one uniform standard throughout the country, to be applied as a test in examining the status of companies. The state of Massachusetts started with the basis of the actuaries' or combined experience rate of mortality, with four per cent interest, and has continued that basis to the present day.

Some years since I was requested by the New-York companies to present a paper, drawn up and signed by them, addressed to the superintendent of the insurance department of the state of New-York and the commissioner of insurance of Massachusetts, urging the propriety of some one uniform standard. In company with Mr. Barnes, I visited Mr. Sanford, the then commissioner for Massachusetts, and discussed with them the advantages of agreeing upon some one uniform standard. What that standard might be, was of minor importance. At that time, the state of New-York had adopted the English life table No. 2, and five per cent interest; but with a view of adopting a standard which would be acceptable to all other states, Mr. Barnes procured an amendment to the law, by which the American experience table of mortality and four and a half per cent interest was adopted as the standard for the state of New-York, in the hope that Massachusetts would agree upon the same. That hope, however, was disappointed, and since then we have had the two separate standards.

I think, at this present time, the convention could do nothing more beneficial to life insurance generally than to unite in the adoption of some one standard of interest and mortality, to be used in all the different states. I am not prepared, myself, to make any recommendation. The American experience table which I constructed for the use of the Mutual Life Insurance Company of New-York was not suggested by myself as a state standard. Mr. Sanford has only done me justice when he said in his report for 1867, page 73. "It is due to Mr. Homans to say that his table was neither suggested nor urged by himself for adoption as the official basis." Since, however, it has been adopted by some of the states, and by many life companies, it perhaps would not be unbecoming in me to say that it is the result of a very careful analysis of the mortality experience of the Mutual Life, in which the effect of selection was carefully eliminated; and that it has since been confirmed in a very remarkable degree by the mortality statistics of the individual companies, and of all the companies combined, as shown in the Massachusetts reports.

As compared with the Actuaries' table, it shows greater mortality at the younger ages, and also at the older ages, while at the middle period of life, say from thirty to sixty, it calls for a less mortality. This is in accordance with the results of all published mortality statistics in the United States. The new experience table, constructed by a committee of actuaries, showing the experience of twenty English companies, accords more nearly with the American experience table than with the first actuaries' table. The difference, however, by either of these standards of mortality, is inconsiderable. They are all well adapted for state purposes, and the choice of either would meet all the requirements of the state.

In reply to a question from the chairman, Mr. Homans stated that he was in favor of a more liberal standard of valuation in the case of non-participating policies. Take, for instance, the class of companies known as stock companies. In order that their premiums should be sufficiently low to make them attractive to the public, it is necessary that they should be based upon a rate of interest somewhat approximating that which can be realized from investments. In other words, that the difference in the rates charged by these companies, and those charged by the mutual companies, should be about that which would be expected as surplus or return premiums of the latter. If the liabilities of the stock companies, however, are estimated by the very severe standard adopted

for mutual companies, they would be placed under the very injurious and unjust aspersion of having impaired their capital. If it was a function of the state to prevent any citizen from entering into an unwise or unsafe contract, then it might be quite proper to apply the test of a four per cent or a four and a half per cent valuation to stock companies, but on no other theory can this course be defended. It appears to me that the function of the state might very well be limited to the exaction of evidence in the case of any company, that the financial conditions of the contracts had been faithfully performed. If men of character and means are willing to risk their reputation and money upon contracts, based upon six per cent interest, and persons are induced to accept those contracts by reason of the low rates of premiums; it seems to me only just that their liabilities should be estimated upon the same basis. It would be unduly restrictive on the part of the state authorities to apply a test which would certainly bring them into a most unenviable, and I think, a most unfair position. If policyholders wish to obtain insurance at the lowest present outlay of premiums, they surely ought to be allowed to do so, provided the rates are based upon assumptions which, in all probability, may be realized. What those assumptions for interest in the future should be, is a question upon which men of financial and business experience are better capable of affording a solution than actuaries, and to them we leave the question.

The question of security is a relative one. It is self-evident that, other things being equal, the security afforded by high rates of premium would be greater than that afforded by low rates of premium, but if the stock companies are compelled to reserve, according to the severe standard now adopted, it will have the effect of increasing the cost of insurance to the public. It seems to me a question of the expediency of allowing such companies to exist, or of preventing their formation. There seems to be a manifest propriety in applying the same standard of valuation as that adopted as a basis for premiums in the case of each company.

It may be a question whether a company in which the premiums are based upon four per cent interest, could legally or morally estimate its liabilities at a higher rate. Is not the fact of basing the rates upon the assumption of four per cent in the future tantamount to saying that even if interest should fall to that rate the company would be enabled to meet its obligations at maturity? If this view be correct, it follows that the company should reserve for liabilities upon the same assumptions for the future as those upon which its premiums are calculated.

PAPER READ BY HON. E. A. ROLLINS, VICE-PRESIDENT OF
THE NATIONAL LIFE INSURANCE CO. OF THE U. S.

It is respectfully submitted that the laws of the states relating to life insurance should be so modified as to recognize and foster stock or proprietary companies, especially in this that where their capital is large, the reserve, which in addition to their capital they shall be required to maintain, shall be based upon interest at the same rate per cent as that upon which their premiums are calculated, not exceeding six per cent per annum.

The laws referred to indirectly require that every life insurance company seeking business within the limits of the states which passed them, shall possess means equal to its liabilities. These liabilities are almost entirely upon outstanding policies, and comprise what is known as the net present value of such policies. To respond to this value the statutes require companies to *reserve* an equal amount of assets. In determining the valuation, there is prescribed by law a certain table of mortality from which is ascertained the expected death rate of its policyholders, and interest at a certain rate per cent at which it is assumed the means of the company may be made productive. These differ in different states, but not very widely, as the several tables of mortality recognized are all believed to be eminently trustworthy, and the rates of interest assumed are those employed by mutual companies in determining their rates of premium, and are either four or four and a half per cent per annum.

The prevailing laws with reference to reserves were passed when there were no stock companies in America. The customary name "reserve" in life insurance itself suggests, even if it was not borrowed from, the laws which provided and still provide that in determining the amount of surplus to be distributed in a mutual company, being the excess of premiums paid, there shall be "reserved" an amount measured in the manner prescribed.

From this it will be readily inferred that the existing laws for reserve, designed as they were for mutual companies, must be entirely inappropriate to those doing business upon the stock plan, and further examination of the subject, which is the purpose of this article, proves the inference to be well grounded.

In making this examination it becomes necessary to analyze the premiums charged by all companies for insurance upon all plans—life or endowment. These consist practically of three elements: 1st. The reinsurance fund of what is technically called the reserve. This is such a sum as, set aside and invested at compound interest, will amount to the face of the policies at their certain termination, and constitutes the main element in what is known as the present value of policies. 2d. The cost of insurance, or that portion of the premium employed to pay the current losses of the year. The reinsurance fund or reserve and the cost of insurance, together, constitute the net premium charged at the beginning of the year. Theoretically, losses are payable at the close of the year, and if the rates of interest and mortality assumed in making the premiums are exactly realized, the net premiums and the interest upon them, and on the existing reserve, will at the end of each year pay the losses experienced and make the required addition to the assets, which include the reserve. The third element in the premium is the margin or loading for expenses, which is usually a percentage upon the net premium or the other two elements combined, and is of the same nature and substantially the same amount in all companies.

From what has been said, the inquiry naturally arises as to what constitutes the fundamental difference between low premiums, or those of stock companies, and high premiums, or those of mutual companies. The second element or cost of insurance, it is evident, must be nearly the same in both classes of companies. The third, as we have seen, is a percentage upon the other two, and although as such it may be the same in both cases, it will be somewhat smaller in low premium than in high premium companies, because in such companies the first element—the reinsurance fund or reserve—is smaller.

The real difference then lies in the first element—the reserve.

As stated above, this reserve is that portion of the premium which, invested at compound interest, will amount to the face of the policy at its certain maturity. With the amount of the policy fixed, it is evident that the amount of the reserve will depend upon the rate per cent per annum which money is expected to earn. If only four per cent is expected, a larger sum will be necessary than if that expectation is six per cent. At the former rate, an annual rate of \$17.80 must be made for thirty years to aggregate the sum of a thousand dollars, while at the latter, or six per cent, only \$12.60 will be required. The lower, therefore, the rate of interest which is assumed, the higher must be this reserve, and the higher the rate the lower the reserve, and consequently the lower the premium. Without reflection, it might seem singular that in the states where the legal rates of interest are six or seven per cent at least, and the prevailing rates oftentimes much greater, the four or four and a half per cent rates of premiums were employed when life companies were first organized in America; but when it is remembered that at that time we were without ascertained American rates of mortality, without actuaries, without laws regulating the operations of companies, and altogether without experience or knowledge in life insurance, it is certainly not strange that the rates of interest, as well as of mortality, were borrowed from the companies of the old world, where the rates of interest for two hundred years had not averaged more than two-thirds the average rates in the new. Beside this, the first companies were purely voluntary associations, without capital, and it undoubtedly seemed to them wise to make the premiums somewhat excessive, so that the accumulations of the companies might be as large and rapid as practicable, and a capital created for the security of their members.

Several years passed and several companies were organized before supervisory laws were anywhere enacted, and a legal test of solvency of any character established. Meanwhile the premiums of the new institutions naturally followed those of an earlier date, as they were like them in their plans of organization, and sufficient time had not elapsed to prove the rates unnecessarily high. It was under these circumstances that the laws relating to reserve were passed. Hardly an American stock company was in existence. The companies were mutual, with the usual four and a half per cent rates of such. In framing their statutes the legislatures considered and acted upon the then existing facts. They found high premiums involving high reserves, and they legislated to compel the execution of contracts. A four per cent rate naturally called for a four per cent reserve. This was that for which the premium was paid, and it was just that policyholders should have that which they purchased. No legislator probably thought of voting that a four per cent reserve was necessary for the safety of the policyholders, and it is certain that the originator of the first law in Massachusetts on that subject did not for a moment suppose that it was imprudent to assume a much higher rate. It seemed necessary to prevent a natural tendency to extravagance, engendered by competition, and to preserve intact that portion of their premiums which the insured had paid as a self insurance fund. Beside this, after the passage of the law, the old companies found in large accumulations originating in high premiums loaned at seven per cent and more, a means for flattering dividends with which to encourage larger patronage, and the new ones, with little if any capital, found in the same premiums the principal means they had with which to defray the necessary expenditures of their organization and introduction to public favor. For these reasons, sufficient both for the state and the compa-

nies, the reserve and the premiums of mutual companies have been continued on the same basis with few modifications. The demands of the premiums and of the reserve have been reciprocal; each has made the other necessary, and applicants for insurance have been compelled, in some manner and form, to pay excessive rates.

That such companies have found the premiums too high, for insurance only, is proven by the dividends or the return of the surplus of premium, which has been made in money by those companies receiving cash premiums, and in the cancellation of notes, credits, or liens, wholly or in part by those taking only part of the premium in cash.

With the laws of the states and the experience and practice of the companies, such as we have described, stock companies have been organized and have issued many thousands of policies, receiving for them the low, or six per cent rates of premium. They desire to continue such issue, and they respectfully submit that the laws of the several states should be so far amended as to require of them upon such policies only a six per cent reserve. In doing this they premise that the public good is well subserved by the pledge of large capital from the companies to their policyholders, that all their contracts shall be faithfully executed,—that when such pledge is given, the prudence and economy of such companies in their expenditures are largely encouraged, and great care in the selection of lives is secured, as all costs and losses must first be paid before their stockholders realize any profit whatever—that the higher the premium, even in mutual companies, the greater the expenses, inasmuch as the largest expenses of all, to wit, the commissions to agents and the percentage tax upon premiums, increase with the increase of rates—that for these reasons with others, the public at their pleasure should have the opportunity of purchasing their insurance of companies using low rates of premium, that to that end the companies should themselves be burdened by legislation only so far as is necessary for the security of their patrons,—and that the convention now in session will do much to restore and increase the public confidence in life insurance by doing what it can to invite capital to give to insurance its conservatism and its strength.

They premise further that it would be harsh injustice to their policyholders to exact of them, if it were practicable to do so, a four per cent premium with which to meet the requirements of a four per cent reserve. Out of this there would ultimately be excessive gain to their stockholders, as will readily appear from a single illustration.

An accumulation of say \$5,000,000 from non-participating policies loaned upon bond and mortgage under the laws of New York, would bring at seven per cent a yearly income of \$350,000. The requirements of a four per cent reserve would employ of this amount \$200,000, and there would be left as profits to the stockholders from this source alone, the immense sum of \$150,000. This is enormous, and yet the present law of reserves, unchanged, tends on the one hand to precisely such results, through an increase of the premium of stock companies, and on the other to their oppression, if not their extinction, through the rapid constructive impairment of their capital to make good the increasing demands of their legal reserve: increasing constantly because of their accumulating business,—a reserve, too, not paid for by their policyholders, nor required in their interests. Companies charging the high premiums, in substance agree in their policies to pay their patrons only four or four and a half per cent upon the money received from them, while those charging the low rates covenant to pay them six per cent per annum.

This brings us face to face with the inquiry, whether or not it is safe to assume that money during the present generation in this country will, when invested as the assets of life companies ordinarily are invested, return six per cent per annum. This we unhesitatingly answer in the affirmative, and in part for the following reasons:

This subject was thoroughly examined by those who subsequently became stockholders and officers of stock companies before they subscribed and paid for their stock. It was their faith in this which prevailed upon them to make

such subscription and payment. They have not seen a single reason existing or foreshadowed to change their belief. That in the past the rates of interest have averaged the country over, and uniformly averaged, too, every year, largely more than six per cent there can be no question. We leave out now, of course, all call loans in commercial centres, which, for brief periods, sometimes in one place and sometimes in another, from peculiar relations of circumstances, are occasionally very low and sometimes very high, which loans insurance companies never make. We include only investments in which companies can lawfully and properly place their reserves, and we say unhesitatingly that city and county bonds and loans secured by mortgage of real estate two or three times their value, have probably at no time in the history of the country averaged lower than 7 per cent. We might include in this statement the bonds of the general government, for while the five per cent bonds would seem to be exceptional, yet when it is considered that they are protected from local taxation, which oftentimes amounts to one or two per cent per annum, and that their income are exempt from all taxation of every kind, whether by the United States or other authority, the actual interest received directly and indirectly, from them, falls nothing short of 6 per cent or 7 per cent. We do not include those bonds however, because the fact that they always have large and ready sale abroad, where money is cheaper than with us, that the National banks are compelled to employ them for the security of their circulation and of the deposits made with them to the credit of the Treasurer of the United States; that they are legal investments for all sorts of companies and all persons acting in a fiduciary capacity, and that they always command an instant sale for ready money wherever offered, all tend naturally to keep the pecuniary profit from them somewhat under the income from several other kinds of investments absolutely unquestionable in their character.

Some of the influences at work to sustain and often to advance the rates of interest, are common both to this country and Europe. Mr. John Stuart Mill, in his work on political economy, says, that the organization of joint stock companies and recent inventions of all sorts have a tendency to increase the rates everywhere; and especially that the construction of rail roads and their uses will, for years, keep interest higher than it has been. Other and great causes unknown in many places of the old world are, however, operating with great effect in America. Here, the simple demand for money, for the building of towns and cities, and the construction of dwellings and places of business, within the limits of those already established, is enormous, while in Venice, it is said that there has hardly been a house erected for twenty years, and the building of Amsterdam is almost as thoroughly concluded as is Venice. These are but examples of a general rule and principle they indicate. Opportunities for using money there are fewer, while the amount seeking investment is immensely greater than in this country. It were strange then, if the rates prevailing were not smaller than here, and yet the insurance companies of Great Britain have, it is believed, received more than five per cent, on the average for many years from their investments, and the average rate of interest in European markets on the best government loans, extending over a period of from twenty to thirty years, reaches almost six per cent. But the profits from the investments of the oldest and most thoroughly established and largest life companies in the United States during all their experience have averaged, to the present time, not less than 7 per cent,—indeed, those of the Connecticut Mutual have considerably exceeded eight per cent per annum, and from the recent report of Honorable William Barnes, consulting counsel and actuary of the Life Association of America, it seems that the real estate loans of that company (of comparatively recent origin), up to the close of 1870, averaged ten per cent per annum. The rates of interest fixed by law in the thirteen original states of the republic were in no instance less than 6 per cent, and were sometimes greater. They have never been reduced, but in various ways and at different times they have in several instances been advanced. In almost all the states added to the union since its creation the rates have been very considerably above 6 per cent; two, three and often four per cent above. The

tendency seems to be upward rather than downward. Illinois, Indiana and Michigan are as old now as many of the eastern states were at the time their rates were fixed at 6 per cent, and yet the prevailing and every-day rate in them is 10 per cent. Loans can be made on notes and bonds secured by mortgage of highly improved farms, worth three times the amount of the loans, at 10 per cent per annum, and in the commercial centres of these states at rates not much below, upon securities more desirable. The legal rates of interest west of them are greater still. In Minnesota, 12 per cent is allowed, and is the customary rate upon the best securities within its limits.

The *London Economist*, the best European authority on this subject, estimates that the average rate of interest on a majority of the foreign and colonial stocks now owned in Great Britain, is equal to from six to seven per cent as a minimum.

Mr. T. B. Sprague, Vice-President of "the institute of actuaries," a standard authority in Europe, has lately published an able paper, in which he remarks: "There is very little doubt that on judicious investments in foreign stocks, at least six per cent or seven per cent interest may be continuously realized with safety after allowing for a proper sinking fund to provide," &c. This rate, it will be observed, can be realized in Great Britain. Mr. David A. Wells, one of the best authorities in this country, and late special commissioner of the United States revenue, who has given attention to this and kindred subjects, almost more than any one else, makes a contribution to the *The Nation*, in its issue of April 27th last, entitled "the prospective rate of interest throughout the United States for the next quarter of a century," in which this subject is treated exhaustively. Reference is made to it in support of the point now being considered, for reasons which cannot but commend themselves to every one who reads it.

He concludes his article in the following language:

"I have thus briefly presented the evidence which seems to me available for the formation of an opinion respecting the average rate of interest that may be expected to prevail throughout the United States, under various conditions of security, for the next quarter of a century. My own conclusion, from a somewhat careful investigation of the subject, is, that although capital in the United States during that period may be expected to increase greatly, the opportunity and desire alike for the investment and use of such capital will be more than correspondingly augmented through the increase of population and the development of the natural resources of the country; and that in other respects, circumstances do not favor any immediate reduction of the rates of interest. The civilization of the United States, furthermore, in contradistinction to that which prevails in other parts of the world, is a civilization of rapid growth and forced development. That which in other and older countries has required centuries to accomplish—such as the improvement and ornamentation of towns, the construction of roads, harbors, elaborate public buildings and parks; the providing of water supplies and systems of drainage, the incurring and the paying of great debts—we expect to make the work of years. And while such a condition of things prevails, the demand for capital will always tend to be in excess of supply; and industries, made highly productive by force of circumstances, can afford and will pay for its use most liberally. I am well aware that in a country where the "societary circulation," to use a modern expression, is active, money as an instrument for effecting exchanges, or capital as an instrument of production, produces its results more rapidly than in countries where the social movement is more sluggish; and that this increase in rapidity of use is equivalent to an increase of supply. By taking all this into consideration, I think one would hazard little in predicting that during the next twenty-five years, without such a condition of general disturbance and revolution in Europe as would endanger the safety of investments in that country, the average rate of interest for the United States as a whole will not be less than seven per cent. If the national or state governments are able to borrow for less in their own markets, it will be because of the offer of compensating advantages for the reduction, either in the way of security, exemption from taxation, or facility of conversion."

DAVID A. WELLS.

When it is remembered that the middle line of the country north and south, on the track of the Union Pacific Railroad, is a long way west of the Missouri river, that new states in undetermined numbers with the almost fabulous demand of their towns and cities,—their agriculture, manufactures, railroads, banks and other interests and organizations, are yet to be created out of existing territories—that the British possessions north of us are certain to grow for centuries, and that Mexico and all of South America are awaiting the capital and enterprise of the Anglo Saxons for their development, it is respectfully submitted that whether or not money in this country will earn six per cent per annum during the next generation, does not admit of any serious question whatever. Every business man accustomed to the uses of money, who has given attention to the subject, admits it, and to conference with such as they shall have opportunity, the members of your committee are respectfully recommended.

This question of a reduction of the reserve required by law of proprietary companies has been suggested from time to time, on various occasions, by those employed in writing upon insurance subjects for the general public. *The Spectator*, of New York, as early as December, 1869, in its number for that month, in an editorial, styled "the question of reserve" among other things, says:

The only argument in favor of high reserves is one which is based entirely on considerations of greater security. It has been insisted that high reserves are a restraint upon extravagance, but in reality it is the principle of a high reserve which more than anything else permits extravagance. This may seem paradoxical, but it is easy to see everywhere what is the effect of over-confidence as to security. A man is wasteful of money just in the same proportion as is the amount of money at his disposal in excess of what he actually needs; so in life insurance, the company which accumulates a large surplus over its reserve, is in constant danger of giving way to some extravagance which would not have been permitted if its reserve had been calculated at a lower standard.

But there is another consideration in favor of a lower standard of reserve. And that is the objection to making good a high reserve by including in a company's assets a lot of intangible items which would not be available for payment of losses. It is preferable, we think, that a company should possess a five per cent reserve of solid cash assets rather than it should reserve on the basis of a four per cent valuation, and only make good its reserve by means of including in the account a lot of uncertain items. But we do not wish to be understood as arguing in favor of a lower reserve for all companies. The point which we wish to make is, that a state, in its capacity of testing the rates of policyholders' deposits to companies' assets cannot justly so far interfere with the terms of individual contracts as to exact from one company fidelity to the assumptions of another company, especially when the former company has from the outset released itself from such extra liability by the very terms and concessions expressed in its contracts. We raise this point now because we know that the time is not far distant when it must be agitated *in behalf of policyholders*. At all events, we hope the question will be considered on its merits, and that its merits appeal strongly to policyholders is evident from the fact that the companies are now compelled to do business according to four and four and a half per cent, whereas they are constantly receiving upwards of six per cent. It is like borrowing money, and when the first pay day comes around, paying only half the interest, on the principle that unless he has the use of the other half, the borrower may not be able to pay anything when it is again due!"

The same journal, in its issue of December of the following year, discussing a kindred subject, remarks that:—

While the business was one into which experiment and speculation largely entered as elements, there was, perhaps, good ground for levying high rates by way of protecting both parties against contingencies then impossible to be foreseen. In such case it was rational enough to build up a wall of certain security against the onslaughts of extraordinary mortality or the waves of financial panic. But time has, in these respects, made all things even. Mortality tables have been proved correct; the average of loss has been fixed with

approximate definiteness, and the average value of money has been determined. These things settled, nothing but the question of expenses remains to complete the calculable cost of insurance; and just in proportion as a company's affairs are administered economically or otherwise, in just that ratio is it able to reduce this cost to a minimum. There can be no very appreciable enhancement of mortality, no very noteworthy diminution of the value of the money accumulations, to fright the souls of underwriters into extorting high rates for security's sake. This loading of rates to feed a fallacious notion as to needed security on the one hand, or to meet the lavish waste of regal establishments and reckless agencies on the other, is no longer entitled to concealment or allowance.

From the 9th page of last January's *Baltimore Underwriter*, we extract the following:

"It is not a question of the theoretic value, or of the correctness of the assumptions; it is not a question simply of the inherent or of the relative merit of the mutual system; not whether such prudently and economically conducted companies as, for example, the New England Mutual, the Connecticut Mutual, or the Mutual Benefit, have not more than redeemed their promises, or more than fulfilled their obligations to their policyholders. Because the officers of these and similar companies have been sternly and rigidly mindful of their duties, shall it be said that others are so minded by reason of or by virtue of the system they represent and advocate? In the face of the extravagance which led to the downfall of the Great Western, and of the recklessness which is rapidly hurling a dozen others to the verge of the cataract, who will dare to say yea? The excess of overcalculated and heavily loaded premiums, in all these cases, instead of reverting to the assured in the form of surplus or dividends, has only proved an irresistible temptation to prodigality and waste."

Vice-President Sprague, in another portion of his article, to which reference has already been made, says: "The life insurance legislation in the United States has certainly had the effect of checking improvements there, for there can be no doubt that with the high rates of interest prevailing there, and almost certain to prevail for many years to come, the cost price of insurance must be far less than in England, and the rates of premium ought certainly to be reduced."

Now, we believe, with the several authorities cited, that the rates of premium, ordinarily called high premiums, are unnecessarily large, and we believe too, that where the rates of premium are reduced, the rates of reserve should, other protections being provided, fall with the rates of premium. Any other way would be reasonless and oppressive.

That money will certainly be made to earn them six per cent, the stock companies, as has been stated, have entire and thorough confidence. In assurance of their belief, and of the fact that a six per cent premium and a corresponding reserve are high enough, they pledge their patrons and the several insurance departments in their behalf.

1st. The close, careful supervision of their business, and the prudence in its management which capital naturally insists upon, together with the moral and business character and reputation of their officers and managers selected by them.

2d. The whole of their paid-in capital and its accumulations from investments ordinarily greater than six per cent per annum.

3d. All the premiums received, and their accumulations, also greater usually than six per cent, less death claims and expenses, and

4th. All profits from lapses, forfeitures, surrenders and margins.

There seems to be a mistaken notion that if by any unforeseen and mysterious cause the rate of interest should fall, the liabilities of the life companies would be at once precipitated upon them and they be held to their instant payment. This idea is so far from correct that not only would such a fall find their maturing liabilities spread over many years in the future, but it would find their assets safely invested at the former rate, and many of them for a long period of time; so that even a permanent depreciation of one per cent would affect the income of the companies much more slightly than would at first appear, and that

too, even though the companies did not advance their rates for a profit, as they undoubtedly would. In this view of the case the possible contingency of harm to their policyholders from the reduction of the reserve required of stock companies is seen to be really so remote as to be absolutely inappreciable. Their investments are as secure as human prudence can make them—as safe, it is confidently submitted, as they would be were they deposited for the same period of time in the best organized and conducted savings banks. American life companies have been in operation for more than a quarter of a century. During all that time they have never been surprised by their experienced mortality exceeding that upon which their premiums were based, nor been disappointed in not realizing more than six per cent per annum on their actual investments.

If the rate of interest should fall largely, and only five per cent could be realized, we have the assurance of one of the best actuarial authorities, concurred in also by others, that with an outstanding business equal to that of the largest American company, premiums with the customary margin over the net rates at six per cent, economy in expenses, and the usual miscellaneous profits, there would still be sufficient assets and income to preserve, in the operations of the company, its *whole capital absolutely intact*. The expenses of simply liquidating the old business would be very small, covered several-fold by the margin, and independent of this, and not considered by the authorities cited, the rates for new business would in such case of course be at once increased, and an immediate profit realized from that source.

The business is no longer an experimental one. It has in it as it claims to have, fewer and smaller elements of doubt than any other, and unless it is still one of problems and of hazards, and is really but a venture, there is no possible propriety in exacting other than a six per cent reserve from stock companies with large capital, doing business on six per cent rates of premium, and keeping their full capital, in addition to a six per cent reserve, absolutely untouched by dividends, losses or expenditures.

In concluding this whole matter, and as fully covering it, we have the pleasure of presenting communications from Messrs. Wright, Homans and Fackler, who will be recognized as among the most eminent of American actuaries. The letters of the two former were received in response to inquiries addressed to them with reference to legislation at that time pending in the senate of Pennsylvania. The measure which they approved had been by amendment incorporated into a bill without a dissenting vote, and failed of becoming a law only because the bill itself miscarried for reasons foreign to the amendment.

We believe the plan then proposed an eminently safe one, but are far from thinking it the only safe one practicable. It has been suggested latterly that the desired end could be attained by establishing a scale of premiums, below which companies should not be permitted to write, clearly defining and limiting in them, the mortality, interest and loading, and requiring of the companies reserves proportionate to the premiums charged. To this we see no objection, and we ask nothing for one company which we would not have granted to another of like character. We give Mr. Homans' letter, first, because it embodies the amendment to which Mr. Wright refers without recital or description.

No. 137 BROADWAY, NEW YORK, *February 18th, 1871.*

CLARENCE H. CLARK, ESQ., *President National Life Insurance Company, Philadelphia,*

DEAR SIR:—I have your favors of 15th and 16th instant, covering draft of proposed amendment to the present statutory laws of different states, which provide for the ascertainment of the liabilities of life insurance companies, technically called the "reserves." By this amendment, if enacted into law, the reserves for non-participating policies issued by stock companies having a capital, full paid in cash, of not less than one million dollars, shall be estimated and determined upon bases of not more than six per cent interest per annum.

and the mortality indicated by the "American experience" or the "actuaries" tables. Provision is made that no dividends shall be paid to stockholders, unless the company is in possession of the full reserve so determined, exclusive of the capital stock; and also, that in case said capital stock shall become impaired to the extent of twenty-five per cent, the company shall cease to transact new business in the state until the deficiency shall have been made good.

My opinion is asked by you whether the enactment of such an amendment to the general laws of the states would afford ample protection to the policyholders in stock companies—would be just to such companies, and would be important and valuable to the general interests of the public?

As to the first point, I am unhesitatingly of opinion that the assumptions of six per cent interest and either the "American experience" or "actuaries" tables of mortality as a standard of net values for non-participating policies in stock companies, especially when guaranteed by a paid-up capital of one million dollars, affords ample protection to policyholders. This test of values is not so much a dependence upon these particular assumptions for the future, as it is evidence that the requisite portion of the net premiums paid by policyholders, has actually been laid aside and accumulated at the rate of interest named, and is in possession by the company. It seems only reasonable if capitalists are willing, as a guarantee of the integrity of their contract, to risk their money and reputation, upon which policyholders place reliance when effecting assurances, that evidence of having strictly observed the conditions of the contract, *to any given date*, should be sufficient. The rates of premium for non-participating policies must necessarily be less than those charged by mutual companies. Hence, if in such cases a valuation at four per cent interest be insisted, on the capital will be *impaired*, for the first few years at least, which would subject the company to unjust and injurious imputations. The four per cent standard applied to stock companies is unnecessarily severe, and if persisted in must tend either to increase the rates for such insurance or to the abandonment of business on this plan altogether.

For these reasons I cordially approve the proposed amendment as affording ample security to policyholders in stock companies, as being an act of simple justice to this class of companies, and as tending to promote and foster the interests of those persons who seek to make provision for their families by effecting insurance at low rates of premium on the non-participating plan.

Very respectfully yours,
SHEPPARD HOMANS, *Consulting Actuary.*

Boston, February 21, 1871.

C. H. CLARK, ESQ., *President National Life Insurance Company:*

You ask my opinion of the sufficiency of a six per cent reserve, to be enforced by law, according to the enclosed plan, as a protection to the policyholder. I give it my unqualified endorsement for several reasons:

(1.) As it is little less than certain that money will earn more than six per cent per annum, for some ages to come, with an ample capital staked on the careful selection of risks, the safety of investments, and the economy of expenditures, a six per cent reserve, on rates that exceed the net at six per cent, must be ample for the security of the policyholders.

(2.) In view of the tendency which mutual companies have shown to exact large premiums without making, on account of extravagant expenses, a correspondingly large return of surplus, it is important to have safe stock companies charging lower rates.

(3.) While it is highly proper (for another reason than that so high a standard is required for safety), to require mutual companies charging loaded four per cent premiums to reserve at four per cent the same standard applied to stock companies with low premiums, is unnecessarily discouraging. Though

it by no means precludes profit, it obliges the stockholder to wait many years for it, and in the meantime the company must almost inevitably incur the unjust and damaging imputation of having its capital impaired. It does not occur to me to suggest any plan which would better secure at the same time safety to the policyholder and justice to the company in this respect, than the enclosed plan which you have submitted to my criticism.

With great respect, I am very truly yours,

ELIZUR WRIGHT.

NEW YORK, May 2, 1871.

CLARENCE H. CLARK, ESQ., *President National Life Insurance Company,*

DEAR SIR:—Yours of the 29th ultimo at hand, asking my opinion regarding some proposed insurance legislation. As you well know, I think it undesirable that low-rate non-participating insurance should be virtually suppressed, by laws requiring reserves therefor larger than can be saved out of the small premiums paid. A company with a paid-up capital of \$500,000, receiving premiums that are in all cases more than twenty (20) per cent above the net rate by the six per cent actuaries' table, should not be required to hold a higher reserve than that table demands, for it is pretty certain that money can be safely loaned at over six per cent, during this generation at least, and, if in the future interest should steadily decline, the reserves can *then* be gradually increased by assuming rates of interest somewhat lower than six per cent, which will fully provide for the safety of the insured.

The competition of stock companies will, I think, have a wholesome tendency to check extravagant management in the "mutuals," whose larger premiums may tempt them into unnecessary expenditures, unless restrained by the fear of unfavorable comparison with their rivals.

Very truly, yours,

(Signed),

D. P. FACKLER, *Consulting Actuary.*

It may be asked perhaps, why, if stock companies are allowed to reserve at six per cent, mutual companies should not have the same privilege? This is really not a question for our consideration except from this fact, that it may be argued inferentially that the stock companies should not be permitted to have what is not allowed the high premium companies, to wit: a reserve lower than four and a half per cent. We say then, for arguement's sake, that the high premium mutual companies should not be permitted to reserve at a six per cent rate, and for several reasons. Those companies do not ask a lower reserve, and that too because they do not need it. Their premiums are abundant to enable them to make a four or four and a half per cent reserve. The policyholders paid for this high reserve; and the spirit of the contract with their policyholders demands that a high reserve should be made. Little security other than a high reserve is offered by them, as they have little or no capital stock; and if they are not compelled to fulfil the contract in respect to the reserve, it is not impossible that that portion of the premium which was paid therefor may be used in extravagant expenditures. The obligations of a mutual company are greater than those of a stock company. The former is virtually under obligations to make dividends to its policyholders, and these can only be made when the company is required to retain from expenditure and invest for earnings, so much money of the premiums paid to them as shall enable the company to respond to its obligations.

Equity among policyholders in a mutual company is best attained, too, by a high reserve.

Without considering the question further we would offer the letters of Hon. Elizur Wright, bearing date March 2, and Mr. Sheppard Homans, of March 4, 1871, which cover it very fully and satisfactorily.

39 STATE STREET, }
BOSTON, March 2, 1871. }

C. H. CLARK, ESQ., *President National Life Insurance Company,*

DEAR SIR:—For mutual companies charging the usual premiums, obviously a lower standard of reserve than four per cent would leave open too wide an opportunity for extravagant expenditure. With moderate expenses and considerably lower premiums, it is quite practicable for them to maintain a four per cent reserve, so that a law requiring it cannot be complained of as a hardship.

If we could divide the policyholders in any mutual company, into two equal classes, in one of which every member should be made sure that he would not die till all the members of the other class were dead, no member of this long-lived class would retain a policy unless some abatement of premium or guarantee of dividend should be made in his favor. Now, if all the members are to remain in the company, it is certain, whether any one knows to which class he belongs or not, that one-half will die before the other half. It is equally certain that making the reserve at four per cent will be more for the advantage of the class that die last, than making it at any higher rate of interest. It is true this advantage will be somewhat (but, on account of the effect of compound interest, not to the same extent) at the expense of the class that will die (or leave the company) first. But it must be remembered that the half that die first always get a benefit, counting the value of being insured while they live as well as the indemnity when they die, greater than its price. Hence, as a matter of equity between two equal and actually existing, though undistinguishable classes of policyholders, a higher is always preferable to a lower standard of reserve. Indeed, on the score of equity between the members of a mutual life insurance company no dividend should ever be paid, but, each policy being charged with its proper share of the necessary expenses and death claims, the whole residue of the premium should be reserved and accumulated to reduce the company's amount at risk, till the reserve equals the face of the policy, when it should be paid as an endowment, if not allowed to remain at interest as a trust. Hence, whenever the legislature—whatever the premiums may be—reduces the reserve to be maintained by a mutual company, so that policyholders may realize dividends sooner, it impairs the equity between the members without, on the whole, at all diminishing the cost of insurance.

Very truly yours,

ELIZUR WRIGHT.

NEW YORK, 137 BROADWAY, }
March 4th, 1871. }

CLARENCE H. CLARK, ESQ., *President National Life Insurance Company,*

DEAR SIR:—I am in receipt of your favor of the 28th ultimo, in which you desire my opinion upon certain points, which I shall endeavor to give in detail.

As is well known, non-participating rates of premium, in order to be acceptable, must be lower than those of mutual companies by a difference approximating, somewhat, the dividends which may be expected from the latter—in other words, these premiums must be based upon a rate of interest nearly as high as that which may be derived from first class securities. Those persons who insure at low rates of premiums do so upon the security afforded by the paid-up capitals pledged to the integrity of the contracts, and the character of the managers of this class of companies. It seems unreasonable that government should require more, in such cases, than evidence of the proper fulfilment of contracts, and the proper provision for liabilities, at any given date, as determined upon the same bases of interest and mortality as those upon which the stockholders risk their money and character, and the policyholders accepted their insurances, viz.: in your case the American experience rates of mortality, and six per cent interest. This is precisely what you will give to the state if the proposed amendment is enacted into law. The test of solvency required by law should be as liberal as is consistent with safety; otherwise the business will be unne-

cessarily trammled. While nothing can be predicated with certainty as to the rate of interest in the future, yet the probabilities are altogether in favor of a higher rather than a lower rate of interest than six per cent upon first-class securities for many years to come. The necessity of capital to develop the resources of the west and south, and for the introduction and employment of machinery, stimulated by new inventions, all point in this direction, while it is well known that managers of large corporations have frequent and favorable opportunities of investment not possessed by persons of smaller means. Moreover, the adoption of a liberal standard of valuation by the state does not compel the managers of stock companies to reserve upon the same basis; on the contrary, they will be quick to detect any signs of a reduction in the rate of interest, while ordinary prudence, and a due regard to the pecuniary interests of the stockholders, will show the necessity of a margin for contingencies. The true interests of the stockholders will be conserved by the adoption of a more severe standard of valuation than that which, under a sound and enlightened policy, should be required by the state. All these facts must be patent to you, but I mention them at your request. There is a manifest propriety, it seems to me, that the state should exact reserves for liabilities from life insurance companies upon the same bases of interest and mortality as those on which the premiums are determined. Security is the paramount consideration. This security is afforded in the mutual companies by the adoption of premiums and reserves based upon rates of interest and mortality more unfavorably than are likely to be experienced during the probable lifetime of the youngest policyholder. But in a stock company the security is afforded by the large paid-up capital pledged as a guarantee for the fulfilment of the contracts as well as upon the character of the managers and stockholders. By the equitable distribution of surplus in the one case, and the adoption of premiums as low as is consistent with safety in the other, with honest and economical management in both, life insurance will be an unalloyed benefit to the community.

These, then, are some of the reasons which govern me in the opinion that stock companies, charging low rates of premium, with a large paid-up capital, should be permitted to reserve at a higher rate of interest than mutual companies, charging higher premiums.

It is quite true, with a business as large as that of our largest American company, the capital stock of your company would not be sufficient to provide for the deficiency caused by a reduction of one per cent in the rate of interest in the calculation of your liabilities. But your premiums have a margin over the net rates at six per cent, which, with economy in expenses, and the miscellaneous profits, would, in my opinion, be sufficient in all probability, to preserve the capital intact in such a contingency. In fact, with prudence and forethought in providing a reasonable margin for unfavorable contingencies, the chance of infringing upon your capital is extremely remote, and, in my opinion, will be lessened with each year's experience and growth of business.

Trusting that my replies will cover, satisfactorily, all the points mentioned in your letter, I remain

Very respectfully, yours,

SHEPPARD HOMANS, *Consulting Actuary.*

We deem it appropriate, in conclusion, to recapitulate some of the points we have discussed, and to ask of the committee their careful consideration. These are:

1st. That the public good is promoted through the pledge of large capital, by the proprietors of a company to its policyholders, that their conduct of its business shall be honest, wise and economical, and all the contracts of the company faithfully executed.

2d. The public seeking insurance should have the privilege of obtaining it at its actual value, without the necessity, except at their pleasure, of paying premiums confessedly greater than such value, and for pecuniary profit becoming co-partners in a business which they can with difficulty undertake to direct.

3d. The premiums of all companies, stock and mutual, consist of three elements. Of these, two are practically the same. In the other—the reserve—lies the substantial difference between low premiums or those of stock companies, and high premiums or those of mutual companies.

4th. This reserve is that portion of the annual premium which, invested at compound interest, will amount to the face of the policy at its anticipated certain maturity; and with the amount of the policy fixed, it is evident that the amount of the reserve will depend upon the rate per cent per annum which money is expected to earn.

5th. The rate of interest on the reserve required in the several states was adopted from that in the rates of premium which had been employed by American insurance companies, and which were themselves borrowed from the rates of Companies in England, where money earns but moderate returns. As the early American companies were without capital, and there were in this country no determined rates of mortality, it seemed to life companies prudent to employ premiums based on low rates of money, and to state legislatures, but just to require of the companies the reserve for which their policyholders paid.

6th. The premiums of stock companies are low, because they are based upon interest at six per cent. Twelve dollars and sixty cents, paid annually, with interest at the rate of six per cent per annum, will amount to one thousand dollars in thirty years. If only four per cent is earned, the annual payment, to amount to that sum in the same time, must be seventeen dollars and eighty cents. The stock companies receive premiums based upon six per cent interest, and it is therefore unreasonable and unjust to require of them a four per cent reserve. This reserve cannot be maintained without technical impairment of capital, which it is wrong and injurious to the companies to compel. The premiums paid and the reserve additional to the capital which is set aside, should be reciprocal. In the very nature of the case with the capital intact, the reserve cannot be larger than that for which payment is made.

7th. It would be monstrous injustice to the policyholders of a stock company to exact of them a four per cent premium, with which to meet the requirements of a four per cent reserve; and on the other hand, capital cannot be persuaded to give its strength and support to life companies if it must be unnecessarily employed in amounts so gigantic as to be entirely disproportionate to the business transacted.

8th. The business is no longer an experimental one. It has in it fewer and smaller elements of doubt than any other, and there is no possible propriety in exacting a four or four and a half per cent reserve from stock companies with large capital, doing business on six per cent rates of premium, keeping their full capital in addition to their reserve, absolutely untouched by dividends, losses or expenditures.

9th. The rates of interest which have prevailed throughout the United States, every year for several generations, and ever since their early settlement, have averaged on bond and mortgage at least seven per cent per annum, and there is probably not now a life company in the country making like loans at a less rate, either directly or by purchase.

10th. The rates of interest realized by the oldest and most thoroughly established and largest life companies in this country, during all their experience, have, up to the present time, averaged not less than seven per cent, some of them more.

11th. The rates of interest fixed by law in the thirteen original states of the republic were in no instance less than six per cent, and were sometimes greater. There has never been a reduction of this rate, but at different times and in various ways, in several instances the rates have been increased.

12th. The calls for money for the advancement of agriculture, manufactures, railroads, banks and other interests and joint stock companies of recent origin and development, are increasing rather than subsiding, and the rates of interest, it is believed, are tending to increase rather than to diminish. (See John Stuart Mill, and other writers on Political Economy.)

13th. Illinois, Indiana and Michigan are as old now as many of the eastern

states were at the time their rates were fixed at six per cent, and yet the prevailing and every day rate in them is ten per cent. Beyond the Mississippi, the legal rates are larger still, and in Minnesota, one of the safest and most thrifty states in the country, twelve per cent is legalized, and obtains upon the best security within its limits. The time during which the country is to grow and high interest prevail, is indicated by the fact that its middle line, north and south, crosses the Union Pacific railroad far west of the Missouri river and west of Minnesota.

14th. The influences at work in this country to sustain the present rates of interest, and really to increase them, are very many, and reference touching them, and probable future rates is confidently made to all business men and political economists who have given any attention whatever to this subject. An article in "*The Nation*," of April 27th, by Hon. David A. Wells, late special commissioner of United States revenue, entitled "The Prospective Rate of Interest throughout the United States for the next Quarter of a Century," is especially worthy of examination. Governor Jewell, of Connecticut, in his recent message to the legislature of that state, says:

"I desire to call the attention of the general assembly to the fact that, while our legal rate of interest is but six per cent, very little money is, in fact, loaned at that rate, except from the school fund. Millions of dollars annually leave this state (Connecticut), not so much for a higher market as for a market where a higher rate is legalized. Such a state of things appears to be detrimental to our best interests."

15th. That the modification asked for is in harmony with the public interests, and just to companies, both stock and mutual, is further attested by many of the prominent actuaries of the country, including Hon. Elizur Wright, of Massachusetts, and Mr. Sheppard Homans and Mr. D. P. Fackler, both of New-York, whose letters of unqualified approval have already been given. It is, therefore, respectfully requested of you, that by your report and recommendation, you shall secure from the convention whose committee you are, such action as shall contribute to the legislation desired.

And here we repeat what we have elsewhere stated, that we do not ask for that, and that only which is contemplated in Mr. Homans' letter of February last. Although we believed, and still do believe, that reasonable objection cannot be made to it. We shall be satisfied if the committee shall recommend, for all companies, reserves exactly responsive to their premiums, with such limitations and provisions in reference to loadings as shall seem to them necessary for the security of the policyholders.

FROM E. W. PEET, SECRETARY OF THE NATIONAL LIFE
INSURANCE COMPANY OF THE UNITED STATES.

*To the Committee of the National Insurance Convention, having in charge
the rate of mortality and rate of interest for the calculation of premiums,
net valuation, &c.*

The questions submitted for consideration, and upon which my opinion as actuary is asked, seem to be embraced under the three heads:

1. The proper table or tables of mortality to be adopted by the various states for calculating the present value or reserve of life insurance policies.
2. The proper rate of interest to be assumed in making such calculations.
3. The proper basis for determining the surrender value of policies.

First—It is generally conceded that either the American experience table of mortality, or the combined experience, is sufficiently correct and perfectly safe. The actuaries' table, probably, is more perfectly graduated, but it does not conform to the experience among American insured lives so nearly as does the American table. So far as the statistics of American companies have been compiled, they seem rather to verify the correctness of the American table. For this reason, and, too, from national pride, in my opinion the American table of mortality is to be preferred.

Second—In regard to the proper rate of interest to be assumed in ascertaining the reserve upon life insurance policies, it seems to me there can be no difference of opinion among thinking men. The reserve ought in all cases to follow the premium. Policyholders should receive the security for which they have paid. If a company receives from its policyholders a premium providing for a reserve based upon four per cent interest, the spirit, if not the letter, of that contract compels that company to make a four per cent reserve. A company that receives a premium providing for a four and a half per cent reserve, should be compelled by law to fulfil that contract, and to make a four and a half per cent reserve. So, too, a company charging a premium based upon six per cent interest, should be required to fulfil that contract only, and make a six per cent reserve only. To give to the policyholder less than a four per cent reserve in the one case, would be giving to him less than that provided by himself, and would be practically violating the contract with him. In the last case, to compel a company to give to the policyholder who had paid a premium based upon six per cent, a greater than a six per cent reserve, would be compelling the company to give that for which it had never received sufficient compensation—to do more than that which was promised and more than was contemplated by the policyholder, and more than was necessary to enable that company to fulfil all of its contracts. It is a question worthy of consideration whether or not the policyholders in any company who have paid a premium based upon four per cent interest, cannot compel in a court of equity such company to make a four per cent reserve. It is certain that no court of law could or would compel a company charging a premium based upon six per cent to make higher than a six per cent reserve.

The answer to the question why a high premium company should not be permitted to reserve upon as low a rate of interest as that of low premium companies is, that justice to policyholders forbids. The policyholders in a

mutual company pay a high premium—a premium based upon four per cent interest, because such company has no capital, and offers no guarantee for the ultimate fulfilment of all its contracts, except the high reserve. The policyholders consent to pay this high premium for the purpose of enabling the company to make a high reserve. To guard against the bare possibility that interest, in future generations, may fall as low as four per cent, they pay a high premium, and expect that those who are their servants or agents, the managers of this company, will make this reserve and provide this security, there being no other security furnished them, and their premiums having been paid for this purpose. The laws of the states should compel the managers of such companies to do this and permit them to do nothing less.

Those policyholders paying a low premium—a premium based upon six per cent interest pay only for a six per cent reserve. The security afforded by premium accumulations, or the reserve should be based upon the same rate of interest. They rely upon the capitalists to secure this rate of interest and have the capital as a pledge that this interest will be secured for them. In the one class of companies—the Mutuals—the managers receive and invest the money for the policyholders. If they invest it at four per cent interest, the policyholders' contracts will be fulfilled. If they invest it at a higher rate than four per cent, the surplus interest over and above four per cent ought to be returned to the policyholders in dividends. There is no risk assumed by the managers; there is no risk consented to by the policyholders except so far as realizing four per cent interest is a risk.

The consideration to the policyholders for paying a high premium—which enables the company to make a high reserve,—is that the security of this high reserve shall be furnished, and that the surplus interest only should be returned. The consideration in the other case is, that the company should make a six per cent reserve, and the capital is the security that such a company will realize that rate of interest. There is no high reserve paid for, there should be none given. Insurance companies may be considered as borrowers of money from their policyholders in the aggregate. Those charging premiums based upon four per cent interest, in effect contract to return to the insured—in the aggregate,—the money they have borrowed, less expenses, and four per cent compound interest. Those charging premiums based upon six per cent interest, contract to return to the insured in the aggregate, the money they have borrowed and six per cent compound interest. Both classes of companies, to be sure, agree to pay the same in amount, but the one charging the lower premium pays the larger amount in proportion to the money borrowed.

To compel all companies to make a reserve at four per cent is forbidding any life insurance company to *agree* to pay to its policyholders more than four per cent interest. The laws of most of the states compel individuals to pay seven per cent interest upon money. Why should persons who loan their money to life insurance companies be prohibited from receiving, by contract, more than four per cent interest?

The reserve is similar in its nature to a deposit in a savings bank. A mutual life insurance company, charging four per cent premiums, is very similar to a voluntary association of individuals agreeing to deposit \$178.30 per annum, the conditions of such deposits being that the managers of the bank shall credit to each member four per cent interest on the deposit at the end of each year, and divide to each person all interest realized by the bank over and above four per cent, and at the end of thirty years pay to each member \$10,000.

A stock life insurance company, charging premiums based upon six per cent per annum, is very similar to a savings bank that receives from each of its depositors \$126.48 per annum, carrying to the credit of each depositor, at the end of each year, six per cent interest, and dividing among the owners of the bank all interest realized over and above six per cent, and paying to each depositor at the end of thirty years \$10,000. To permit the managers of the first bank to hold, at the end of each year, as the annual deposit of each member, \$126.48, would be precisely of the same nature as permitting a mutual life insurance company charging a four per cent premium to reserve upon a

basis of six per cent. To compel the stockholders of the second bank to keep in hand \$178.30 per annum, instead of \$126.48, would be of the same nature as compelling a stock company charging a six per cent premium to make a four per cent reserve.

Now, as to the question whether a life insurance company should be permitted to charge a premium based upon six per cent interest. This depends entirely upon whether it is safer to assume that six per cent interest can be realized upon secure investments in this country for the next twenty-five or thirty years. Whether or not this is a safe assumption, is not, in my opinion, a question exclusively or even mainly for the actuaries to determine. Their opinions, upon this subject, are not so valuable as those of the financial officers of the companies, or of the business men of the country. I would refer the gentlemen of the convention to the leading financiers of their own states for an opinion upon this subject. An argument proving that six per cent interest is certain to be realized in the future, and giving the opinions of several leading financiers and actuaries upon the subject, and their reasons for their belief, has already been read to you. It is not necessary for me to argue this subject here. It can safely be left to the judgment of the business men of the community. I think it can safely be said that no gentleman here present anticipates any difficulty in investing at as high a rate as six per cent all the funds he may be able to accumulate.

It is not necessary to determine the prospective rate of interest for more than twenty or thirty years to enable us to determine this question. If it is safe to assume that for the next twenty or thirty years six per cent interest will be realized, it is safe to permit life insurance companies to charge premiums based upon six per cent interest, these premiums having the usual margin for expenses and contingencies. The experience of most companies shows that about one-half of the policies lapse within ten years from the date of their issue; and probably not more than one-quarter of the policies issued in any year will be in force at the end of twenty years. If we can determine, in advance, the rate of interest which will be realized for twenty years, and give to the policyholder in the premium charged, in advance, the benefit of an assumption which will be in accordance with the realized facts, it will be safe for the majority of the policyholders, and it will certainly be more advantageous to them, than to compel them to pay the high premium which is exacted to provide against the possible contingency of interest falling so low as four per cent. And even if interest should fall, in the distant future, below six per cent, the premiums charged will undoubtedly enable the company to fulfil the contract with those few policyholders who continue, as the expenses upon these old policies being very small, the excess of margin over expenses will make up any possible deficiency.

The loading is to provide not only for expenses, but for all contingencies, including the possibility of interest falling below that assumed.

Companies are not dependent upon interest only. There are other sources of profit—all of which are pledged for the fulfilment of the contracts, and all of which can and will be used, if necessary. The profits from vitality alone would make up a considerable deficiency in interest should one arise. There are profits, too, from loading, the margins upon the premiums being twenty per cent over the net. The experience of all companies has proven that a net valuation gives a greater security than was found necessary; that is, that the margins for expenses exceeded the actual expenses. I would not claim that the present value of the excess of margin over probable expenditures, in the future premiums receivable, should be credited as an asset, but it is evident that the profits from margins or loadings, as they are realized, can be used if necessary, to make up any deficiency arising from other sources.

In a stock company, in addition to the profits from vitality and from margins, the whole of the capital and the interest upon it, are pledged for the security of the policyholders—for the fulfilment of the contract.

It may be claimed that the mortality in some one or more years, in the future, may exceed the table rate, and that a high reserve should have been

made so that the surplus interest over and above four per cent upon the total reserve, can be used to provide for the excessive mortality of those years, and that if only a six per cent reserve had been made and the company realizes only six per cent, there will be no provision for this excessive mortality.

The stock companies reply to that, that the profits from vitality during the early years of the company will not be divided, but will be held as undivided surplus, and will be in the hands of the company as an extra reserve fund, to use if necessary, in any year when the mortality is excessive. On the average, the mortality will not exceed the table rate. The deficiency of one year will certainly be made up by the surplus of some other year. There is, besides this, the capital and the interest upon the capital to carry the company over any particularly unfortunate period.

The managers of the mutual companies argue that the six per cent rate, with the usual margin, that is—the rate charged by stock companies, is sufficiently high, for they nearly all claim that their system furnishes insurance at a less cost than do the low premium companies. If that is so, the rates charged by stock companies must be sufficient. The mutual companies also endorse the sufficiency of the six per cent or stock rate, in that nearly all of them issue more or less policies upon those rates.

The question resolves itself into this: Whether low premium or non-participating companies should be permitted to exist; whether the life insurance business should be left to one class of companies alone; whether life insurance shall be sold as other articles of commerce, or whether all business of this kind shall be done by voluntary associates, by associates having no capital, but compelling the members to contribute the capital, year by year, through the high premiums that they pay.

Capitalists will not invest in this or any other business unless there is some hope of profit. The profits will be so long deferred if a four or a four and a half per cent reserve is required of the low premium companies, that capitalists, accustomed as they are to receive quick returns, will not invest their funds in this business. Therefore, establishing a reserve upon a higher rate of interest than that upon which the premiums are based, will effectually prevent stock companies with capital from being established.

The history of the life insurance business in Europe, as well as in America, shows that integrity of character and financial ability are needed in this business. How can these qualities be secured more effectively than by permitting capital to engage in it? It is for the interest of the people that low premium stock companies, rendered secure by capital paid in, should be permitted to exist and should be encouraged. Such companies will have a tendency to restrain and to render more careful and efficient the managers of those companies that receive from the holders of their policies the high premiums. Extravagance in management, carelessness in the selection of risks, and financial incompetency, will be materially lessened if the mutual companies are subjected to the rivalry of companies doing business upon the low premium, stock plan—and consequently a more valuable insurance will be furnished, and at cheaper rates, even by these mutual companies, than would otherwise be the case. The practice of accumulating and reporting to departments unrealized, intangible and useless assets, is engendered by the mutual system. The stock companies receive nothing but cash, report nothing but what is valuable and available among their assets—and, too, they report as their liabilities, the same as do the companies of the other system, although those companies in reality have liabilities for dividends which the stock companies do not have.

If life insurance could be sold for a uniform price by all companies, and a uniform compensation allowed for the procurement of business, then in this, as in any other business, energy, business capacity and capital would secure the greater results and produce the greater profits. Unfortunately it is too often the case that those qualities, directly opposite to those which we esteem in any other business, meet with the greatest temporary success in this.

The following extract from the "*Journal of the Institute of Actuaries*," considered the most approved authority in the world upon questions relating to life insurance, endorse a rate of premium and reserve based upon actual facts:

"We are ourselves very much disposed to think that the Americans would do well to diminish the importance of this perplexing bonus question, by more nearly approximating in their tables of rates and modes of valuation, to obvious facts. Bonuses, we are convinced, have worked a moral mischief by withdrawing the attention of the assured from the safety of his office, on which it should be chiefly fixed, and concentrating it on the accident of gain.

"It is a question worthy of some thought how much the larger marginal addition to the premium known to be sufficient, has tended to degrade the conduct of insurance business. With loaded premiums, an unscrupulous actuary may play as a gambler plays with loaded dice. Much of the extravagance, the easy admission of lives, the imprudent investments, to which companies have owed their decay or fall, we believe to have been due to the knowledge that the premium demanded was far more than that required for the risk. We are inclined to think that nothing would purify and benefit the cause of assurance so much as a well considered reduction of the premiums. By circumscribing the area of chance, the arts of prudence and caution would succeed the contrivances of reckless ambition."

Premiums of American companies and rules for valuation, are based upon observations of American lives,—why should they not be based upon the American rate of interest?

The third question for consideration, is that of the proper basis for surrender values. The difficulties and mysteries in this, as in many other practical questions arising in this business, vanish before the common sense plans and definite contracts of stock companies. The policyholder has made a definite contract to pay a certain sum of money per annum—and the company has made a definite contract to pay a fixed amount at death, or at the maturity of the policy—and to pay that only. (There is no obligation expressed or implied to make any dividend to, or add anything to the policy.) If the policyholder is unwilling or unable to fulfil the contract, and wishes to be released from his engagement, it is a rule of business that he should pay the other contracting party the value of that contract:—that is, that the party who proposes to fulfil the agreement, shall not suffer any loss. The value of the contract to pay, or of the policy, is easily determined. From this, which is that given up by the policyholder—subtract the present value of the future gross premiums receivable—or, that which is given up by the company. In ascertaining the present value of the future gross premiums receivable, there should be assumed as the future rate of interest that which has been realized by the company, in the past as the future mortality, the average rate of mortality already realized, and that the same percentage of the gross premiums will be consumed in expenses, as the general ratio of expenses by the company.

The proper cash surrender value, therefore, in a stock company, is the difference between the net present value of the policy, and the present value of the gross future premiums receivable, assuming for future interest, mortality and expenses, the same which has been experienced in the past. I will not attempt to express any opinion upon the proper rule for the surrender value in a mutual or high premium company.

It is but just to myself to state that this argument, made without previous notice, and with no time for thought or study, is not intended to be scientific or professional in its character. I have endeavored to present to you an appeal on behalf of the stock companies for a low reserve. On account of my official position, my remarks may be considered as partisan in their character—but I believe that the positions are well taken, and that what we ask is just, equitable, right, and in accordance with public policy.

REMARKS BY D. P. FACKLER, ESQ., BEFORE THE COMMITTEE
ON VALUATIONS.

I came here without any line of remark marked out, but since hearing my predecessor, I may as well begin by speaking of the mortality table to be used. As remarked by him it is a matter of only secondary importance, although one not to be disregarded.

The differences between rates and valuations on the American experience table, and the same on the actuaries' are quite trifling—about as much as the variations that would be due to a difference of one-quarter of one per cent in the rate of interest.

I think that the American experience table is a better index of the mortality of American companies than the actuaries', and should be very glad to see it adopted.

It should, however, I think, be better graduated so as to correspond to its author's original ideas. If it were made on a basis of ten millions of lives instead of one hundred thousand, the graduation would be perfect. As it is now it is quite irregular. There are such differences in the successive results obtained from it that one is often led to think that he has made some considerable error. I have thus often gone all over my work thinking I must have made some fundamental mistake, finding, however, that everything was correct. The actuaries' table is so well graduated that you can always judge of the correctness of calculations by the regularity in the successive differences.

A table for state purposes ought to be perfectly graduated so that the numerous tables based on it would be susceptible of check by the method of differences. (See the annexed Table.)

As to the rate of interest to be assumed, I give all deference to the opinion of men of experience with regard to the use of money, but I am strongly of the impression that stock companies might be valued properly on a six per cent basis, keeping in view, however, that this should not be a permanent basis—that it is only adopted for the present, and that in case of rates of interest falling, the rate of valuation must also be lowered. I think that this plan could be safely carried out; interest would not fall suddenly, but very gradually, and from the gains that the companies would make from the lapse of policies, the margins of premiums, and the low mortality, they could easily reserve enough to meet a higher reserve based on a lower rate of interest. A six per cent valuation at the start might be raised in five or ten years to a five and three-quarters per cent valuation, and so on in time to a five, and even a four per cent valuation. In the meantime the companies would be changing their rates for new business, so that the reserve would only have to be increased on the old, which would be constantly diminishing.

I agree entirely with my predecessor that net valuation is not a test of solvency. It is merely a proof that the money of the policyholder has not been mispent, that only the margin has been used for expenses, that the net premium has been applied to the creation of a reserve fund and the payment of death losses, and that only.

In case a company is found not to possess that net reserve, I would not then be in favor of having it wound up; it may still be perfectly solvent, and valuations might be made somewhat on the plan suggested by my predecessor, with the proviso that no policy must be considered as an asset. If in the case of any policy the present value of the insurance is more than offset by the present value of the premiums, the value of that policy must be considered as nothing, and no credit must be taken by the company for the balance in its favor. In that way a company will not lose anything when policies are dropped.

If, however, in valuing policies you were to count in as assets these policies on which the value of the future premiums exceeded the value of the insurance, then by the dropping of those policies the company would lose what it had counted as an asset.

GRADUATION OF THE AMERICAN EXPERIENCE TABLE.
(SEE MR. FACKLER'S REMARKS.)

AGES.	Beautifully Graduated Rate of Mortality of the Table when starting with 10,000,000 persons, at Age 10.		Irregular Rate of Mortality as in the New-York State Table, starting with 100,000 at Age 10.		AGES.	Beautifully Graduated Rate of Mortality of the Table, when starting with 10,000,000 persons at Age 10.		Irregular Rate of Mortality as in the N. Y. State Table, starting with 100,000 at Age 10.	
	*Mortality per 1,000.	Successive Differences.	Mortality per 1,000.	Successive Differences.		*Mortality per 1,000.	Successive Differences.	Mortality per 1,000.	Successive Differences.
10	7.491		7.490		53	16.338	.950	16.333	.944
11	7.517	.026	7.516	.026	54	17.397	1.059	17.396	1.063
12	7.545	.028	7.542	.026	55	18.575	1.178	18.571	1.175
13	7.573	.028	7.569	.027	56	19.884	1.309	19.885	1.314
14	7.601	.028	7.596	.027	57	21.333	1.449	21.335	1.450
15	7.630	.029	7.633	.037	58	22.937	1.604	22.936	1.601
16	7.661	.031	7.660	.027	59	24.715	1.778	24.720	1.784
17	7.694	.033	7.688	.028					
18	7.729	.035	7.726	.038	60	26.691	1.976	26.693	1.973
19	7.768	.039	7.765	.039	61	28.878	2.187	28.880	2.187
					62	31.286	2.408	31.292	2.412
20	7.810	.042	7.804	.039	63	33.942	2.656	33.943	2.651
21	7.854	.044	7.855	.051	64	36.879	2.937	36.873	2.930
22	7.902	.048	7.906	.051	65	40.124	3.245	40.129	3.256
23	7.953	.051	7.958	.052	66	43.703	3.579	43.707	3.578
24	8.008	.056	8.011	.053	67	47.651	3.948	47.647	3.940
25	8.066	.058	8.064	.053	68	51.999	4.348	52.002	4.355
26	8.128	.062	8.130	.068	69	56.773	4.774	56.762	4.760
27	8.195	.067	8.196	.066					
28	8.266	.071	8.264	.068	70	61.996	5.223	61.993	5.231
29	8.342	.076	8.344	.080	71	67.659	5.663	67.665	5.672
					72	73.730	6.071	73.733	6.068
30	8.424	.082	8.426	.082	73	80.193	6.463	80.178	6.445
31	8.513	.089	8.510	.084	74	87.040	6.847	87.028	6.850
32	8.609	.096	8.607	.097	75	94.366	7.226	94.371	7.343
33	8.713	.104	8.717	.110	76	102.323	7.957	102.311	7.940
34	8.827	.114	8.830	.113	77	111.074	8.751	111.064	8.753
35	8.951	.124	8.946	.116	78	120.817	9.743	120.827	9.763
36	9.088	.137	9.088	.142	79	131.752	10.935	131.734	10.907
37	9.240	.152	9.234	.146					
38	9.406	.166	9.408	.174	80	144.446	12.694	144.466	12.732
39	9.589	.183	9.586	.178	81	158.629	14.183	158.605	14.139
					82	174.338	15.709	174.297	15.692
40	9.789	.200	9.794	.206	83	191.571	17.233	191.561	17.264
41	10.008	.219	10.008	.214	84	211.372	19.801	211.359	19.798
42	10.249	.241	10.252	.244	85	235.627	24.256	235.552	24.193
43	10.519	.270	10.517	.265	86	265.675	30.048	265.681	30.129
44	10.823	.304	10.829	.312	87	302.939	37.264	302.020	37.339
45	11.166	.343	11.163	.334	88	346.861	43.922	346.692	43.672
46	11.557	.391	11.562	.399	89	395.883	49.022	395.863	49.171
47	12.003	.446	12.000	.438					
48	12.515	.512	12.509	.509	90	454.133	58.250	454.546	58.683
49	13.104	.589	13.106	.597	91	533.333	79.200	532.468	77.922
					92	632.911	99.578	634.259	101.791
50	13.776	.672	13.781	.675	93	732.601	99.690	734.177	99.918
51	14.537	.761	14.541	.760	94	869.565	136.964	857.143	122.966
52	15.388	.851	15.389	.848	95	1,000.000	130.435	1,000.000	142.857

*This is the Rate of Mortality on which Mr. Homans wished the American Experience Table to be based. †The irregularities in this column, lead to similar irregularities in the results derived from the New-York State Table, as previously stated.

BY J. F. ENTZ, ACTUARY OF THE NEW YORK LIFE INSURANCE AND TRUST COMPANY.

WHAT IS THE PROPER RESERVE IN A MUTUAL COMPANY ?

A contract of insurance between a company and a policyholder entitled to a participation in the profits, embraces two conditions.

One is to pay his heirs in case of his death, a certain sum, and, if it is an endowment insurance policy, to himself if he survives a stipulated term.

The other is to return him an equitable share of the surplus ascertained from year to year, and to apply it either to an increase of the sum insured, to a reduction of future premiums, or to a payment in cash.

For this latter benefit, the premiums are enhanced by a more or less extensive loading, with the understanding that, after having paid all expenses and losses, the excess will be returned in a dividend.

It is, therefore, perfectly evident, that the reserve must be sufficient to satisfy both conditions. A company winding up, and wishing to have all the outstanding policies assumed by another company, must, consequently, have a sufficient fund for the continuation of this double contract.

A valuation by the net premiums, will only show what sum is required to pay the sum insured when added to the premiums stipulated at the beginning of the contract, but is no longer sufficient at the time a transfer of the obligations is to be made to another company, who would not accept it unless it received an equivalent for the assumed contract, which, as before remarked, is the payment of the sum insured, and also the original promise of a dividend.

If a life insurance company is unable to furnish the required sum demanded by another company in assuming these two conditions, it is virtually bankrupt. It becomes, therefore, an imperative duty to preserve at all times, such a fund, even when it does not contemplate to give up business, for it owes it to all the policyholders who are constantly changing, some going out, and many new ones constantly coming in, to keep the accounts in perfect equilibrium and to be at all times in a condition to wind up, and to satisfy all liabilities.

The only proper way for a company wishing to do perfect justice to all its policyholders, and to keep a proper reserve, is to make the valuation of its policies, by the gross premiums, that is, to deduct from the gross single premium at the advanced age, the value of the future premiums stipulated in the policy, thus separating the earned part from the sum which must remain on deposit, for the object above mentioned. By this operation, the supposed cost of the insurance for the past period is found, and also the loading which ought to accompany it, while the reserve contains the net value increased by that part of the loading which belongs to it, and is precisely what is necessary to keep up the contract with the policyholders.

Strict regularity would require that such a valuation should be made by the same table of mortality and the same rate of interest by which the rates have been originally computed, but as a variety of tables of mortality and different rates of interest form the basis of many companies, while perhaps many others have only copied those of other

companies, and thus a variety of valuation tables would become necessary, it would not be entirely wrong to adopt a common standard, like the American experience table, at $4\frac{1}{2}$ per cent, although, in my humble opinion, it is subject to some severe criticism and to some improvement.

So far, my remarks apply to what should be done by the companies themselves. A very important question, and now under consideration of the convention, is the best mode for ascertaining whether the companies have a sufficient reserve fund.

My object is to respectfully offer my remarks on this most interesting subject only, and to call the attention of the members of the convention to the fact, that to test the reserves of *all* the companies by a valuation made by the insurance department on the *net* premium, is entirely fallacious.

It may answer for contracts without participation, because it provides only for the payment of the sum insured and no more.

Stock companies undertake no other obligation, and if the official valuation agrees nearly with the reported reserve it is all right, and it serves as a fair criterion.

But for companies issuing policies on the mutual plan, the net reserve thus ascertained is far from being adequate.

The policyholder is charged from 25 to 50 per cent more, with the agreement, that after paying all expenses, losses, etc., he should derive some benefit from all the profits arising from a favorable mortality, from good investments, and from all other sources, and that the surplus would be equitably divided.

But if the whole loading is merged into past profits, and a proper share of it does not follow the reserve, to make it sufficient for the payment of not only the claims, but also the promised dividend, the company will never be in a position to fulfill its promises.

Admitting that the valuation by net premiums, the only one which can be adopted by an insurance department as a common measure for all, is proper in case of insurance without participation, the reserve thus found for policies on the mutual plan, should be increased by a percentage corresponding with the loading charged by each company, or at least as near as possible. Then only will the department be able to detect a discrepancy between the reserve as reported and the one that it ought to have, and, if there is a considerable difference, it will be high time to undertake a closer investigation.

I remain, most respectfully, etc.,

NEW YORK, May 30, 1871.

J. F. ENTE,

Actuary New York Life Insurance and Trust Company.

REMARKS BY MR. E. W. BRYANT.

The committee on valuations was addressed on several occasions by Mr. Edwin W. Bryant, Actuary of the New York State Insurance Department, on the subjects of the functions proper to be exercised in state supervision of insurance companies; the basis for valuations of fire, marine, and accident policies; the Table of Mortality most suitable for adoption in state valuations of life insurance policies; the correct processes for valuing such policies when issued upon premiums at different rates of interest; cash surrender values, &c., &c. A formal statement of the views presented by Mr. Bryant will be published as soon as the computations can be made for the tables illustrating the several processes of valuation of life policies.

H. S. O.

BLANK FOR LIFE INSURANCE COMPANIES.

STATE OF _____ INSURANCE DEPARTMENT.

ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31st, A. D. 187 ,

Of the Condition and Affairs of the _____ Life Insurance Company of _____
organized under the Laws of the State of _____ made
to the _____ of the State of _____ in pursuance of the Laws of said State.

President, _____	Vice-President, _____
Secretary, _____	Treasurer, _____
Actuary, _____	Principal Office, _____
Organized or Incorporated _____ 18	Commenced Business _____ 18

I. CAPITAL.

- | | |
|--|--|
| 1. Whole amount of Joint Stock or Guarantee Capital authorized..... | |
| 2. Whole amount of Capital actually paid up in cash..... | |
| 3. Amount of unpaid, but subscribed Capital for which subscribers' notes or other obligations are held.... | |

II. ASSETS.

- | | |
|---|--|
| 1. Amount of Loans secured by Deeds of Trust or Mortgages upon Real Estate, according to the laws of the State where the Company is organized, per schedule A herewith..... | |
| 2. Amount of Loans secured by pledge of Bonds, Stocks, or other marketable securities, as collateral, per schedule B herewith..... | |
| <i>Total Cash Loans,</i> | |
| 3. Premium Loans and Notes, in any form, taken in payment of premiums, on policies now in force. | |
| 4. Cash Value of Real Estate owned by the Company, after deducting full amounts of all liens and incumbrances thereon, as per schedule C herewith..... | |
| 5. Cash Market Value of Bonds and Stocks owned by the Company, per schedule D herewith.... | |
| 6. Cash in office of Company..... | |
| 7. Cash deposited in Banks and Trust Companies | |
| 8. Postage and Revenue Stamps..... | |
| <i>Total Available Assets,</i> | |

9. Interest accrued on Cash Loans and Bonds owned by the Company.....		
10. Interest accrued on Premium Loans and Notes.....		
11. Rents accrued for use of Company's property or under sub-lease.....		
<i>Total Accrued Interest and Rents,</i>		
12. Gross amount of premiums in process of collection and transmission, on policies reported to the Insurance Department as being in force Dec. 31, 1871.....	\$.....	
13. Gross amount of Deferred Premiums.....	\$.....	
<i>Total of Items 12 and 13,</i>		
Amount deducted by the Company to reduce the amounts stated in Nos. 12 and 13, to the net values charged against the policies on account of those premiums.	\$.....	
<i>Net Amount,</i>		
14. Amounts due from other companies on account of reinsured risks.....		
TOTAL AVAILABLE ASSETS, as above,		
" CONTINGENT " " "		
TOTAL ADMITTED ASSETS,		
<i>Total Contingent Assets,</i>		
ITEMS CLAIMED BY THE COMPANY, NOT ADMITTED AS ASSETS:		
1. Amount invested in commuting commissions; or renewal commissions purchased.....		
2. Amount advanced to officers or agents to be repaid out of future salaries or commissions.....		
3. Present value of Leases owned by the Company.....		
4. Cash in hands of officers or agents due the Company.....		

- 5. Judgments for Debts rendered in favor of the Company.....
- 6. Value of Agency supplies, printed matter, and stationery on hand.....
- 7. Present Market Value of Furniture, Safes, and fixtures belonging to the Company.....
- 8. Other items. [In detail].....

TOTAL UNADMITTED ITEMS,

III. LIABILITIES.

- 1. Claims for Death Losses and Matured Endowments, due and unpaid.....
- 2. Claims for Death Losses and Matured Endowments, in process of adjustment, or adjusted and not due.....
- 3. Claims for Death Losses and other policy claims resisted by the Company.....
- 4. Amounts due and unpaid on Annuity claims.....

Total Policy Claims,

- 5. Trust Fund on deposit, or net present value of all the outstanding policies on the 31st day of December, 187 , computed according to *The..... Table of Mortality,* with..... *per cent interest*

Deduct net value of risks of this Company re-insured in other solvent companies.....

Net Re-insurance Reserve,

- 6. Additional Trust Fund on deposit, or net present value of extra and special risks,—including those on impaired lives

7. Amount of all unpaid dividends of surplus, percentages, bonuses or other description of profits to policyholders, none of which has been used to purchase additions to policies, or in reduction of premiums, and amount of interest (\$.....) accrued thereon.....

8. Amount of any other liability to policyholders or annuitants, not included above, viz:.....

Total Dividend, or Special Liability to Policyholders......

9. Amount of unpaid dividends to Stockholders,.....

10. Amount of National, State, or other taxes due.....

11. Amount due on account of Salaries, Rents, and Office Expenses.....

12. Amount due by the Company for borrowed money, including (\$.....) due or accrued interest.

13. Amount of any other liability of the Company, viz:.....

Total Liabilities except on Policy Account,.....

PRESENT LIABILITIES AS TO POLICYHOLDERS,.....

IV. INCOME.

1. Cash received for premiums on new policies during the year ending December 31st, 187 , without deductions for commissions, or other expense.....

2. Cash received for renewal premiums during the year, without deductions for expense.....

3. " " " purchase of annuities.....

4. Cash received for all other premiums		
5. Cash premiums from other Companies for re-insuring their risks.....		
<i>Total Cash Premiums Income,</i>	.....	.....
6. Cash received for interest upon Cash Loans		
7. " " " " " Bonds owned and Dividends on Stocks.....		
8. " " " " " Premium Notes or Loans.....		
9. " " " " " other debts due the Company		
10. Rents received for use of Company's property, or under sub-lease.....		
11. Discount on Claims paid in advance		o
<i>Total Interest, Dividend, and Rent Income,</i>	.....	.....
12. Cash from other companies on account of losses or claims on policies of this Company re-insured		o
13. <i>Cash Income</i> from other sources, viz:.....		
<i>Miscellaneous Cash Income</i>		
14. Gross amount of notes or other obligations taken on account of new premiums		
15. Gross amount of notes or other obligations taken on account of renewal premiums.....		
<i>Total Note Income,</i>	.....	.....
TOTAL INCOME,	.....	.....

V. EXPENDITURES.

1. Cash actually paid during the year for the Company's own Losses and Policy Claims, and Additions thereto	
2. Cash paid to other Companies for Losses or Claims on their Policies re-insured by this Company.....	
3. Cash paid to Annuitants.....	
4. Cash paid on account of Policies lapsed, surrendered or purchased.....	
5. Cash paid for Dividends to Policyholders.....	
	<i>Total Cash paid to Policyholders,</i>
6. Cash paid for Dividends to Stockholders.....	
7. Cash paid for Premiums (less rebate or commissions) to other Companies for Policies re-insured	
8. Cash paid for Commissions to Agents on first Premiums.....	
9. " " " " " Renewal Premiums.....	
10. " " Salaries and Traveling Expenses of Managers of Agencies, and General, Special or Local Agents.....	
11. Cash paid for Salaries and other compensation of Officers and Employes, except Agents and Medical Examiners.....	
12. " " Medical Examiners' Fees and Salaries.....	
	<i>Total Pay Account,</i>

13. Cash paid for U. S. Taxes and Revenue Stamps, \$.....; State and Local Taxes in State where organized, \$.....; Taxes, Licenses and Fees in other States, \$..... [Portion of above paid in State of....., \$.....]		
14. Cash paid for Rents.....		
	<i>Total Incidental Expense Account,</i>	
15. Cash paid for commuting commissions.....		
16. Cash advanced to Agents or Officers, to be repaid out of future Salaries or Commissions.....		
17. Cash paid for Furniture, Safes and Fixtures for home or agency offices.....		
18. " " on any account not itemized above, viz.: [give items.] ..		
	<i>Total,</i>	
	TOTAL CASH EXPENDITURES,	
PREMIUM LOAN DISBURSEMENTS:		
19. Amount of Notes and other Premium Obligations:		
Used in payment of Losses and Claims.....		
" in purchase of Surrendered Policies.....		
" in payment of Dividends to Policyholders		
Voided by Lapse of Policies.....		
	<i>Total Premium Note Expenditures,</i>	
	TOTAL EXPENDITURES,	

PREMIUM NOTE ACCOUNT.

Premium Note and Credit Assets at beginning of the year.....	.....	.....
Increase in Premium Note and Credit Assets during year.....	.....	.....
	<i>Total,</i>	.....
Amount of Notes and other Premium obligations.....	.....	.....
Used in payment of Losses and Claims.....	.....	.....
" in purchase of Surrendered Policies.....	.....	.....
" in payment of Dividends to Policyholders.....	.....	.....
Voided by lapse of Policies.....	.....	.....
Redeemed by maker in Cash.....	.....	.....
	<i>Total Reduction of Premium Note Account,</i>	.....
	BALANCE, NOTE ASSETS AT END OF THE YEAR.	.....

BALANCE SHEET.

1. Total Available Assets at beginning of year, - \$	1. Expenditures for year, as above stated, - - - \$
2. Year's Income, as above stated, - - - - - \$	2. Balance of Investment Account, Debit side, - - - \$
3. Balance of Investment Account, Credit side, - - - \$	3. Balance of Profit and Loss Account, Debit side, - \$
4. Balance of Profit and Loss Account, Credit side, - \$	4. Total Available Assets at end of year, as above stated, - - - - - \$
AGGREGATE, \$	AGGREGATE, \$

BLANK FOR FIRE INSURANCE COMPANIES.

[FIRE.]

STATE OF _____ INSURANCE DEPARTMENT.

ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31st, A. D. 187 ,

Of the Condition and Affairs of the _____ Fire Insurance Company of _____
organized under the Laws of the State of _____ made
to the _____ of the State of _____ in pursuance of the Laws of said State.

President, _____ || Vice-President, _____
Secretary, _____ || Treasurer, _____

Principal Office, _____

Organized or Incorporated _____ 18 ; Commenced Business _____ 18 .

I. CAPITAL.

- 1. Whole amount of Joint Stock or Guarantee Capital authorized, - - - - -
- 2. Whole amount of Capital actually paid up in cash, - - - - -
- 3. Amount of unpaid, but subscribed Capital, for which subscribers' notes or other obligations are held, - - -

II. ASSETS.

- 1. Value of Real Estate owned by the Company (less the amount of encumbrances thereon), as specified in Schedule A, hereunto annexed, - - - - - \$
 - 2. Loans on Bond and Mortgage (duly recorded and being first liens on the fee simple), upon which *not more* than one year's interest is due, - - - - -
 - 3. Loans on Bond and Mortgage (first liens), upon which *more* than one year's interest is due (of which \$_____ is in process of foreclosure), - - - - -
 - 4. Interest due on all said Bond and Mortgage loans, \$_____ ; Interest accrued thereon, \$_____ ;
- Total,
- 5. Value of the Lands Mortgaged exclusive of Buildings and perishable improvements, - \$
 - 6. Value of the Buildings Mortgaged (insured for \$_____ as collateral), - - - \$
 - 7. Total value of said Mortgaged Premises (*carried inside*), - - - - \$

Dollars. Cts.

8. Account of Stocks, Bonds and Treasury Notes of the United States, and of this State, and of other States, and also of Stocks and Bonds of incorporated cities in this State, and of all other Stocks and Bonds, owned absolutely by the Company:

	<i>Total Par Value.</i>		<i>Total Market Value</i>	
	<i>Dollars.</i>	<i>Cts.</i>	<i>Dollars.</i>	<i>Cts.</i>
stock				
stock				
stock				
stock				
9. Total par and market value, carried out at <i>market</i> value,				
				\$

10. Account of Stocks, Bonds and all other securities, (except mortgages,) hypothecated to the Company as collateral security for cash actually loaned by the Company, with the par and market value of the same, and the amount loaned on each:

	<i>Total Par Value.</i>		<i>Total Market Val.</i>		<i>Am't loaned thereon.</i>	
	<i>Dollars.</i>	<i>Cts.</i>	<i>Dollars.</i>	<i>Cts.</i>	<i>Dollars.</i>	<i>Cts.</i>
stock						
stock						
stock						
stock						
11. Total par and market value and amount loaned thereon, \$						

12. All other Loans made by the Company, classified as follows, viz. :—on _____ \$ _____;
 on _____ Total, - -

13. Cash in the Company's principal Office, in currency, - - - - -
 Cash belonging to the Company deposited in Bank, - - - - -

<i>Dollars.</i>	<i>Cents.</i>

14. Total amount of Cash items, - - - - - \$
 15. Interest due and accrued on stocks not included in "Market value," - - - - -
 16. Interest due and accrued on Collateral Loans, - - - - -
 17. Gross Premiums in due course of collection (not more than 3 months due), - - - - -
 18. Bills Receivable, *not matured*, taken for Fire, Marine and Inland risks, \$ _____; the same, *past due*, \$ _____; Total,
 19. All other Property belonging to the Company, viz. :—Salvage property and Claims, on Losses already
 paid, \$ _____; Rents due and accrued, \$ _____; Judgments, \$ _____ Due from other
 Companies for Re-insurances on Losses already paid, \$ _____; Bills Receivable other than those
 taken for Premiums, \$ _____ Total, - -
 20. Stockholders' Notes or other obligations given for Capital subscribed, but not actually paid up in cash,
 (*carried inside*), - - - - - \$ _____

21.	Bonds and Mortgages which are not <i>first</i> liens, and all other illegal items, - and assets not constituting " <i>actual</i> " Capital, (<i>carried inside</i>), - - - - \$ _____		
22.	<i>The gross amount of all the Assets of the Company</i> , - - - - - \$ _____		
23.	Amount which should be deducted from the above assets on account of bad and doubtful debts and securities, viz. :- From item No. _____ \$ _____, No. _____ \$ _____, No. _____ \$ _____ Total deductions, -		
24.	Aggregate amount of all the Assets of the Company, stated at their actual value - - - - - \$ _____		

III. LIABILITIES.

1.	Gross Claims for Losses against the Company, adjusted and unpaid, - - -	<i>Dollars.</i>	<i>Cents.</i>
2.	Gross Losses in process of adjustment, or in suspense, including all reported and supposed Losses, - - - - -		
3.	Losses resisted, including interest, costs and other expenses thereon, - - -		
4.	Total gross amount of claims for Losses, - - - - -		
5.	Deduct Re-insurances thereon, \$ _____; and also Salvage claims thereon, \$ _____ Total, - - - - -		
6.	Net amount of unpaid Losses, - - - - - \$ _____		

	<i>Dollars.</i>	<i>Cents.</i>
7. Gross Premiums (without any deduction) received and receivable upon all unexpired <i>Fire risks running one year or less</i> from date of policy, including interest premiums on <i>perpetual Fire risks</i> , \$.....; Re-insurance thereon at <i>Fifty</i> per cent,		
8. Gross Premiums (without any deduction) received and receivable upon all unexpired <i>Fire risks, running more than one year</i> from date of policy, \$..... Re-insurance thereon <i>pro rata</i> , - - - - -		
9. Gross premiums (including both cash and bills, without any deduction) received and receivable upon all unexpired <i>Inland navigation risks</i> , \$.....; Re-insurance thereon at <i>Fifty</i> per cent, - - - - -		
10. Gross Premiums (cash and bills, without any deductions) received and receivable on all unexpired <i>Marine risks</i> , - - - - -		
11. Amount required to safely Re-insure all outstanding risks, - - - - -		
12. Amount reclaimable by the Insured on <i>Perpetual Fire insurance policies</i> , being <i>ninety-five</i>.....per cent of the premium or deposit received, - - - - -		
13. Re-insurance fund and all other <i>Liabilities</i> , except capital, under the <i>Life Insurance</i> or any other special department, - - - - -		
14. Unused balances of bills and notes taken in advance for premiums on open <i>Marine and Inland policies</i> or otherwise, returnable on settlement, - - - - -		
15. Principal unpaid on <i>scrip or certificates of profits</i> which have been authorized or ordered to be redeemed, - - - - -		

IV. INCOME DURING THE YEAR.

	<i>For Fire Risks.</i>		<i>For Marine and Inland Risks.</i>	
	<i>Dollars.</i>	<i>Cents.</i>	<i>Dollars.</i>	<i>Cents.</i>
1. Gross Premiums received <i>in Cash</i> , without any deduction, -				
2. Gross <i>Cash</i> actually received on bills and notes taken for Premiums, without any deduction, - - - - -				
3. Gross <i>Cash</i> received for Premiums, - - - - -				
4. Deduct only Re-insurance, rebate, abatement and return premiums, - - - - -				
5. Net <i>Cash</i> actually received for Premiums, (<i>carried out</i>),				\$
6. Bills and notes received during the year for premiums, remaining unpaid, (<i>carried inside</i>), - - - - -				
7. Received for Interest on bonds and mortgages, - - - - -				
8. Received for Interest and Dividends on stocks and bonds, stock loans and from all other sources, -				
9. Income, received from all other sources, viz., Rents, \$ _____; _____				
Total, -				
10. Deposit premium (less five _____ per cent) received for perpetual Fire risks, (<i>carried inside</i>), \$ _____				
11. Received for calls on Capital, \$ _____; for increased Capital, \$ _____; on assessments to repair Capital, \$ _____; - - - - - Total, \$ _____				
12. Aggregate amount of Income actually received during the year in Cash, - - - - -				\$

V. EXPENDITURES DURING THE YEAR.

	On Fire Risks.		On Marine & Inland Risks.		
	Dollars.	Cts.	Dollars.	Cts.	
1. Gross amount actually paid for Losses, (including Losses occurring in previous years,) - - - - -					
2. Deduct all amounts actually received for Salvages, (whether on losses of the last or of previous years,) \$-----; and all amounts actually received, for Reinsurances in other Companies, \$-----; Total Deductions, - - - - -					
3. <i>Net</i> amount paid during the year for Losses, - - - - -					\$
4. Cash Dividends actually paid, \$-----; interest paid to Scripholders, \$-----					Total,
5. Scrip or Certificates of profits redeemed in cash, - - - - -					
6. Paid or allowed for Commissions and Brokerage, - - - - -					
7. Paid for Salaries, Fees, and all other charges of officers, clerks, agents, and all other employes, - - - - -					
8. Paid for State, National and Local Taxes in this and other States, - - - - -					
9. All other Payments and expenditures, viz. :-Interest on borrowed money, \$-----					
-----					Total, -
10. Amount of deposit premium returned during the year on perpetual Fire Risks, (<i>carried inside</i>) \$-----					
11. Aggregate amount of actual expenditures during the year, in Cash, - - - - -					\$

VI. MISCELLANEOUS.

SCRIP.

	<i>To Policyholders.</i>		<i>To Stockholders.</i>		<i>Aggregate.</i>	
	<i>Dollars.</i>	<i>Cts.</i>	<i>Dollars.</i>	<i>Cts.</i>	<i>Dollars.</i>	<i>Cts.</i>
1. Total amount of Scrip Dividends declared to date, - - - - -						
2. Deduct amount redeemed in cash, forfeited, purchased and fractions, -						
3. Balance of Scrip Dividends deliverable and outstanding, - - - - -						
4. Scrip deliverable, not actually delivered, - - - - -						
5. Scrip Dividends declared during the year, being at the rate of.....per centum on Participating Premiums, - - - - - \$						
6. Marked-off premiums or estimated earned premiums, on which said Scrip Dividends during the year were declared, - - - - - \$						
7. Cash received during the year for premiums on Participating policies, deducting re-insurance, drawbacks, and return premiums, - - - - - \$						
8. Limit of Scrip accumulation, before any Scrip will become redeemable, - - - - - \$						
9. Average percentage of Scrip dividends declared to date,.....per centum of premiums on Participating policies.						
10. Rate of interest paid on Scrip,.....per centum per annum.						

RISKS AND PREMIUMS.

	<i>Fire Risks.</i>	<i>Premiums thereon.</i>		<i>Marine and Inland Risks.</i>	<i>Premiums thereon.</i>	
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Cents.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Cents.</i>
1. In force on the 31st day of December of the preceding year, - - - - -						
2. Written during the year, - - - - -						
3. Total, - - - - -						
4. Deduct those expired and marked off as terminated, - - - - -						
5. In force at the end of the year, - - - - -						
6. Deduct amount re-insured, - - - - -						
7. Net amount in force, - - - - -						
8. In force, having not more than <i>one</i> year to run.						
9. Having more than <i>one</i> , and not more than <i>three</i> years to run, - - - - -						
10. Having more than three years to run,						
11. Perpetual Risks in force and interest premiums						
12. Net amount in force, - - - - -						

GENERAL INTERROGATORIES.

1. Total amount of Premiums received from the organization of the Company to date, \$ _____ ; total amount of Losses paid from organization to date, - - - - - \$ _____
2. Total amount of *cash* Dividends declared since the Company commenced business, \$ _____ ; total amount of Losses incurred during the year, - - - - - \$ _____
3. Total amount of the Company's stock owned by the Directors at par value, - \$ _____ ; total dividends declared payable in *stock* - - - - - \$ _____
4. Total amount loaned to Officers and Directors - - - - - \$ _____ ; total amount loaned to Stockholders, not Officers, - - - - - \$ _____
5. Amount deposited in different States and countries for the security of policyholders, \$ _____ ; deposited as follows:—
 In the State of _____ \$ _____ ; In the State of _____ \$ _____

Companies from other States and foreign countries will please state

Business in the State of New York during the year:

6. Fire, Marine and Inland Risks taken,
7. Premiums received,
8. Losses paid on risks taken,
9. Losses incurred in the State of New York, \$ _____

<i>Fire Risks.</i>		<i>Marine & Inland Risks.</i>		<i>Aggregate.</i>	
<i>Dollars.</i>	<i>Cents.</i>	<i>Dollars.</i>	<i>Cents.</i>	<i>Dollars.</i>	<i>Cents.</i>

10. Paid to the State of New York, for Taxes on Marine premiums, \$ _____ ; paid to Fire Departments in the State of New York, for Taxes on Fire and Inland premiums, \$ _____

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