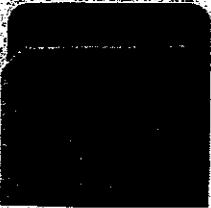


PROCEEDINGS
OF THE
NATIONAL CONVENTION
OF
INSURANCE COMMISSIONERS
FIFTY-SECOND SESSION
1921



From N.A.I.C.

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blanks in accord with the report as accepted by the Executive Committee and have them sent to all members of the Convention. [As amended by the Forty-second Convention, 1911.]

Art. 8. The Convention shall be governed by the ordinary rules of parliamentary practice. One or more of the sessions of each Convention shall be executive, and shall be so announced in the program. [As amended by the Forty-first Convention, 1910.]

Art. 9. Commissioners or Superintendents, or other officials in charge of insurance matters, who have been members of the Convention, may, upon retiring from office, be chosen honorary members, without the right to vote, by a two-thirds vote at any session. Any supervising insurance official may, at any session, be elected an honorary member, by a similar vote, and all retiring Presidents of the Convention shall be honorary members thereof. [As amended by the Convention of 1895.]

Art. 10. Communications to the Convention, verbal or written, shall be heard by or referred to the appropriate committee, which shall thereafter report to the Convention.

Art. 11. This Constitution may be amended, and any article therein may be suspended at any time by an unanimous vote at any regular meeting or by a two-thirds vote of the members present and voting, notice thereof having been given at a previous session.

Art. 12. All previous Constitutions are hereby repealed.

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CLAUDE W. FAIRCHILD Colorado

W. N. VAN CAMP South Dakota

A. C. SAVAGE Iowa

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CLARENCE W. HOBBS Massachusetts

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STANDING COMMITTEES

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ROBERT B. FORSYTH	Wyoming
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Codification of Rulings.

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FRANK L. TRAVIS	Kansas
V. CARMONA	Philippine Islands
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THOMAS R. WILSON	Delaware
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FRANK L. TRAVIS	Kansas
JAMES J. BAILEY	Louisiana
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Unfinished Business.

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FRANK L. TRAVIS	Kansas
GEORGE P. PORTER	Montana
THOMAS R. WILSON	Delaware
THE SECRETARY OF THE CONVENTION	_____

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A. C. BARBER	Oregon
GUSTAF LINDQUIST	Minnesota
JAMES F. RAMEY	Kentucky

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THOMAS J. KEATING	Maryland
L. K. ARRINGTON	Tennessee
W. N. VAN CAMP	South Dakota
MILES SCHEAFFER	Indiana

Valuation of Securities.

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JOSEPH BUTTON	Virginia
JAMES R. YOUNG	North Carolina
PLATT WHITMAN	Wisconsin
FRED W. POTTER	Illinois
THOMAS B. DONALDSON	Pennsylvania
CLARENCE W. HOBBS	Massachusetts

Unauthorized Insurance.

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JOHN S. DARST	West Virginia
W. A. McSWAIN	South Carolina
JOHN J. DONAHUE	New Hampshire
A. C. BARBER	Oregon
AMOS A. BETTS	Arizona
R. T. CREW	Ohio

Proceedings of the Sessions of the National Convention of Insurance Commissioners

At the Hotel Astor, New York City,
December 7th and 8th, 1920.

The Convention was called to order at 11 A. M., President Frank H. Ellsworth presiding.

The President: Gentlemen, please come to order. The first order of business will be the roll call. As the Secretary calls the States, the Representative will please arise, give his full name, and also the names of other representatives of the department that are here.

The following members responded to the Roll Call:

- Arkansas—Bruce T. Bullion, Insurance Commissioner.
Colorado—Earl Wilson, Insurance Commissioner; Chas. Fertig, Fire Insurance Rater.
Connecticut—Burton Mansfield, Insurance Commissioner; Thos. F. Tarbell, Actuary.
Delaware—Thos. R. Wilson, Insurance Commissioner.
District of Columbia—C. C. Wright, Deputy Superintendent of Insurance.
Illinois—J. S. Baldwin, Assistant Director Trade and Commerce; James Fairlie, Actuary; W. H. Crum, Examiner.
Indiana—Miles Schaeffer, Commissioner of Insurance.
Iowa—A. C. Savage, Commissioner of Insurance; Tom Watters, Deputy.
Kansas—F. L. Travis, Superintendent of Insurance.
Kentucky—J. F. Ramey, Insurance Commissioner.
Maine—G. W. Smith, Insurance Commissioner.
Maryland—T. J. Keating, Insurance Commissioner; W. L. Coudon, Deputy.
Massachusetts—C. W. Hobbs, Insurance Commissioner; A. E. Linnell, Deputy; A. B. Lines, Actuary.
Michigan—F. H. Ellsworth, Commissioner of Insurance.
Minnesota—Gustaf Lindquist, Commissioner of Insurance.
Mississippi—T. M. Henry, Commissioner of Insurance.
Missouri—A. L. Harty, Superintendent of Insurance.
New Hampshire—J. J. Donahue, Commissioner of Insurance.
New Jersey—C. A. Gough, Assistant Deputy; Wm. F. Ward, Inspector.

New York—J. S. Phillips, Superintendent of Insurance; H. D. Appleton, Deputy Superintendent; H. J. Drake, Counsel; G. E. Merigold, Chief of Co-operative Insurance and Licensing Bureau; S. Deutschberger, Chief Examiner Fire Insurance Companies; N. B. Hadley, Chief Examiner Life Insurance Companies; J. E. Diefendorf, Chief Examiner Fraternal Societies; G. H. Hipp, Actuary; C. Hughes, Auditor.

North Carolina—J. R. Young, Insurance Commissioner; Stacy W. Wade, Deputy.

Ohio—R. T. Crew, Superintendent of Insurance.

Pennsylvania—T. B. Donaldson, Insurance Commissioner; Samuel W. McCulloch, Deputy.

Rhode Island—R. Burlingame, Deputy Insurance Commissioner; J. M. Legris, Actuary.

South Dakota—W. N. Van Camp, Insurance Commissioner.

South Carolina—W. A. McSwain, Insurance Commissioner.

Vermont—J. G. Brown, Insurance Commissioner.

Virginia—Joseph Button, Commissioner of Insurance.

West Virginia—J. S. Darst, Auditor and Ex-Officio Insurance Commissioner; C. R. Morgan, Attorney.

Wisconsin, Platt Whitman, Commissioner of Insurance.

The Secretary: We have representatives here from thirty-two States.

The President: That is a very good showing.

The next order of business will be the reports from the standing committees:

The Secretary: "Accident and Health Policies," A. C. Savage, of Iowa, Chairman. (No response).

"Actuarial Bureau," A. L. Harty, of Missouri, Chairman. (No response).

"Assets of Insurance Companies," C. W. Hobbs, of Massachusetts, Chairman.

Mr. Hobbs: The Committee has nothing to report at present.

The Secretary: "Committee on Blanks," Henry D. Appleton, Chairman.

Mr. Appleton: The Committee on Blanks has made its Supplemental Report from the sub-committee to the Executive Committee, and that report will come to the Convention through the Executive Committee, the regular report being made at the California Convention.

The Secretary: "Codification of Rulings," W. N. Van Camp, of South Dakota, Chairman.

Mr. Van Camp: The only thing I want to say in connection with the report is this: if we have a little more co-operation from the Commissioners in furnishing to the "Weekly Underwriter" any rulings or letters that have in them material along the line of holdings and rulings, that it would be a great deal of service to the entire membership of this Convention, and I want to reiterate what I said at San Francisco and ask that we have this full co-operation.

The Secretary: "Credentials." (No response).

The Secretary: "Examinations."

Mr. J. R. Young: Nothing to report at present.

The Secretary: "Fidelity & Surety Companies."

Mr. Brown: I have no report at this time.

The Secretary: "Fire Insurance."

Mr. Button: We have in my opinion made wonderful progress in reaching an agreement with the Representatives of the National Board, and we have submitted a proposition to them—they took it under advisement, will consult their principals and report back. I think before very long we will be in absolute agreement, and will work out the situation in good shape.

We report progress, and ask that the Committee be allowed further time for the consideration of this matter.

The Secretary: "Fraternal Insurance."

Mr. Fairchild is not present, but Mr. Earl Wilson will represent him.

Mr. Wilson: I would like to have a meeting at the close of this Session, just for a few minutes.

The Secretary: "Laws and Legislation."

Mr. Mansfield: There are a number of matters on which we wish to report at this Convention, and I would like a meeting right after the Fraternal Insurance meeting, this morning.

The Secretary: "Miscellaneous." (No response).

The Secretary: "Publicity and Conservation."

Mr. Keating: Nothing to report.

The Secretary: "Unfinished Business."

Mr. C. Waldon Smith: Nothing to report.

The Secretary: "Rates of Insurance Companies." (No response).

The Secretary: "Rates of Mortality and Interest."

Mr. Henry: Nothing to report.

The Secretary: "Reserves Other Than Life."

Mr. Donaldson: Nothing to report now, but I would like a meeting of the Committee after the afternoon session, just for about five minutes.

The Secretary: "Social Insurance," Mr. R. S. Wells. (No response).

The Secretary: "Taxation."

Mr. Darst: Nothing to report at this session.

The Secretary: "Workmen's Compensation Insurance."

Mr. Whitman: There will be a meeting at 12 o'clock today of that Committee, and we will have something to report later.

The Secretary: "Valuation of Securities."

Mr. Phillips: I would like to have a meeting of that Committee immediately after the adjournment of tomorrow morning's session.

The Secretary: "Unauthorized Insurance," Mr. P. H. Wilbour, Chairman.

Mr. Wilbour is not present, but Mr. R. Burlingame will represent him.

Mr. Burlingame: Mr. President, perhaps I am not authorized to report. I think the Commissioner should report, but to the best of my knowledge and belief we have nothing to report.

The Secretary: That concludes the Standing Committees.

Mr. Phillips: Regarding the "Valuation of Securities"—there doesn't seem to be very many meetings this afternoon. I would suggest that we have a meeting at 3 o'clock today, immediately after the adjournment of this afternoon's session. If the session has not adjourned by 3 o'clock—

Mr. Van Camp: Since we are all here, I want to make an announcement of interest to all Commissioners who are Fire Marshals as well. I want a meeting of such at the close of this afternoon's session. This is very important. I want Mr. Bullion, Mr. Smith, of Maine; Col. Young, Mr. McSwain, Mr. Ellsworth, of Michigan; Col. Button, Mr. Brown, Mr. Fishback and Mr. Darst, to be there. We want to discuss the matter that was brought up at Los Angeles. Those who were present were: Mr. Brown, Mr. Lindquist, Mr. Keating, Mr. Henry, Mr. Whitman, of Wisconsin; Col. Button, of Virginia, and Mr. Barbour. I want to meet with all these men at the close of this afternoon's session.

President Ellsworth: Anything further to come before the Convention at this time? Mr. Mansfield, is there anything you want to take up at this time?

Mr. Mansfield: No, there isn't.

It was voted upon motion made and duly seconded that the meeting recess until 2 o'clock—

ADJOURNMENT.

TUESDAY AFTERNOON SESSION.

The meeting convened at 3 o'clock, President Ellsworth presiding.

The President: Gentlemen please come to order.

We will now hear from the committee on Laws and Legislation, Mr. Mansfield.

Mr. Mansfield: Your Committee on Laws and Legislation to which was referred the question of a Uniform Qualification Law for Agents and Brokers, begs leave to report that they are considering the matter, and a sub-committee of which the Commissioner of Pennsylvania is Chairman has prepared a bill, copies of which will be forwarded to all companies within a short time.

Your Committee reports progress and asks to be continued for the further consideration of the matter.

The President: You have heard the report of Mr. Mansfield. All those in favor of adopting it say "Aye", contrary "No". The report is adopted.

Mr. Mansfield: Your Committee on Laws and Legislation to which was referred at the December Meeting in 1919, the matter of a

Uniform Bill for the Regulation, Valuation and Control of mutual assessment associations begs leave to report that they have considered the matter and are of the opinion that no action is desirable at this time. They therefore ask to be discharged from the further consideration of the matter.

The President: You have heard the report of Mr. Mansfield. All those in favor of adopting it say "Aye", contrary "No". The report is adopted.

Mr. Mansfield: Your Committee on Laws and Legislation to which was referred at the December Meeting in 1919, the matter of a uniform bill in regard to the amortization of the securities of life insurance companies, begs leave to report that they have considered the same and submit the following proposed bill for adoption.

"An act to amortize the valuation of bonds and other securities by life insurance companies, assessment life associations and fraternal beneficiary associations by the amortization method.

"Be it enacted by the Legislative of the State of—:—:

"All Bonds or other evidences of debt having a fixed term and rate held by any life insurance company, assessment life association or fraternal beneficiary association authorized to do business in this State may, if amply secured and not in default as to principal and interest, be valued as follows: If purchased at par, at the par value; if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was made; provided that the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase; and, provided further, that the Commissioner of Insurance shall have full discretion in determining the method of calculating values according to the foregoing rule."

I would just like to say a word, Mr. Chairman and Gentlemen; A year ago the question of amortization was discussed at our convention. As I remember it, five to four were in favor of amortization of the securities of all companies, whether they were life or anything else; also of the fraternal benefit societies, and other insurance organizations, but the matter took concrete form only in that the amortization of securities of life insurance companies, Assessment Life Associations and Fraternal benefit societies was referred to this Committee, and that is why we are limiting our report at this time to those three classes of companies.

The President: Any further remarks gentlemen? Those in favor of the report of the committee will please say "Aye", contrary "No". The report is adopted.

We will now have the report of the Executive Committee by Mr. Phillips.

Mr. Phillips: I present a report by the Executive Committee, which I will ask the Secretary to read. (Laughter.) Well, he does not want to read it, so I suppose I will have to.

"The Committee on Blanks through its regular standing Sub-Committee has made to the Committee the following report on the first resolution appearing at page six of the Convention Proceedings for December 1, 1919."

Perhaps I had better read that Sub-committee report right here.

"Your Committee has given consideration to the first of the resolution appearing on Page 6 of the proceedings of the December, 1919 Convention and offers for consideration the following suggestions and recommendations relative to the reporting in the annual statements as of December 31, 1920, business transacted in foreign countries by fire and marine insurance companies of the United States.

1. **DEFINITION OF FOREIGN BUSINESS.** Such business shall include all business written either through agents, pools or associations or as accepted reinsurance originating outside of the North American Continent, Hawaii, Porto Rico, Cuba and the West Indies.

"2. **FISCAL YEAR FOR FOREIGN BUSINESS.** ..Owing to different practices in making reports in the various foreign countries and also to varying periods of time necessary for the transmittal of reports from such countries on account of geographical location, it appears impractical to attempt to arbitrarily fix a definite date for the end of the fiscal year in case of foreign business. Accordingly, it is suggested that in the annual statements as of December 31, 1920, the companies include all foreign business for which they have received complete reports up to and including December 31, 1920, from their foreign managers or representatives of the pools or associations of which they are members, and from ceding insurance companies.

"It is believed that this plan will prove successful if the companies will co-operate to the extent of requiring reports of foreign business as nearly up to date as it is possible to have them.

"3. **AGENTS (OR COMPANIES)' BALANCES.** Such balances representing foreign business written subsequent to June 30, 1920, should be credited as admitted assets in the annual statements and should be included in item 8, page 4. Such balances representing foreign business written prior to July 1, 1920, should be included in items 9 and 34, page 6.

"4. **LOSSES INCURRED PRIOR TO DATES OF REPORTS, SUBSEQUENTLY REPORTED.** Each company should ascertain from its foreign managers or representatives, the pools or associations of which it is a member, or from ceding insurance companies, and include in item 2, page 5, all losses incurred on foreign business up to the date of the last completed report furnished the company but not reported until subsequently—such report to include all such losses reported up to and including December 31, 1920.

"5. **UNEARNED PREMIUM RESERVE.** The unearned premium reserve on foreign business should be computed upon United States standards and not upon the standards of the country in which the business originated.

"6. **REINSURANCE CEDED TO FOREIGN COMPANIES.** American business ceded to foreign companies abroad should be reported as any other cessions are reported, i. e., for the calendar year ending December 31, 1920.

"Respectfully submitted,

(Signed) "H. D. APPLETON (N. Y.),
"A. E. LINNELL (Mass.),
"T. F. TARBELL (Conn.)"

Standing Subcommittee of Committee
on Blanks.

"This Report of the Sub-committee was approved by the Executive Committee."

I move the adoption of the Report, Mr. Chairman.

The President: Those in favor say "Aye", contrary "No". The motion prevails.

Mr. Phillips continued reading the report.

"The standing Sub-committee of the Committee on Blanks referred the second resolution appearing on page six of the Convention Pro-

ceedings for December, 1919, to the Executive Committee for more definite instructions. At the meeting on December 7th, the Executive Committee, after a conference with representatives of the insurance companies present, adopted the following resolution:

"Resolved, That United States Fire and Marine insurance companies transacting business in foreign countries shall not be required to show separately the details of foreign business in the annual statements as of December 31, 1920; but any company transacting such business as defined in the report of the standing Subcommittee of the Committee on Blanks, dated December 5, 1920, shall keep complete and separate records of the details of such business and shall be required upon request of the supervising official of the state or territory in which it is organized or incorporated, to furnish complete details of such foreign business to such official for his exclusive use or for the exclusive use of the supervising official of the state or territory in which it is organized or incorporated, to furnish complete details of such foreign business to such official for his exclusive use or for the exclusive use of the supervising official of any other State or territory if such official shall make request therefor, through the supervising official of the home State or territory."

"The Executive Committee directed the Committee on Blanks to send to all departments and to all companies interested a copy of the report on the first resolution as approved by your Committee and a copy of the resolution of the Executive Committee on the second resolution.

(Signed) "J. S. PHILLIPS, Chairman.
 "J. R. YOUNG,
 "C. W. HOBBS,
 "B. MANSFIELD,
 "A. C. SAVAGE,
 "W. N. VAN CAMP,
 "JOS. BUTTON."

The President: Any further reports?

Mr. Phillips: I might say that the Executive Committee will have another report at the next session.

The President: Is there anything further to come before the convention at this time?

Mr. Phillips: Mr. President, the Valuation Committee will meet immediately after the adjournment of this session.

Mr. Mansfield: Wasn't there another Committee to meet directly after this session?

Mr. Van Camp: The Fire Marshals will meet immediately after the close of this session.

Mr. Mansfield: I understand the Valuation Committee will not have a very long session.

Mr. Phillips: About twenty or thirty minutes.

The President: Upon motion of Col. Young, we will recess until 10 o'clock tomorrow morning.

ADJOURNMENT.

WEDNESDAY MORNING SESSION.

The meeting convened at 11:00 A. M., President Ellsworth presiding.

The President: Gentlemen, come to order please. We will start with the Reports of the Committees this morning. Mr. Phillips.

Mr. Phillips: I have a report from the Executive Committee, which I will ask the Secretary to read.

The Secretary then read the report as follows:

"To the National Convention of Insurance Commissioners:

"The Executive Committee gave consideration to the two printed reports of the Sub-Committee on Fraternal Blanks dealing with the question of a revision of the fraternal valuation report blank and the adoption of a gain and loss exhibit for fraternal societies. Two hearings were held on these reports on December 6th, at which the representatives of the fraternal societies and congresses were present. At the conclusion of the hearings the Committee adopted the following resolution:

"Resolved (1), that sections A and B and corresponding recommendations contained in the 'Report of the Subcommittee on Fraternal Blanks to the Committee on Blanks of the National Convention of Insurance Commissioners re: Revision of the Fraternal Valuation Report Blank,' dated May 17, 1920, be adopted.

"(2). That action on section C of the above report and corresponding recommendations contained therein be deferred and that such part of the report be given further consideration by the Executive Committee at its next meeting.

"(3). That the Executive Committee refer back to the Subcommittee for further consideration the 'Report of the Subcommittee on Fraternal Blanks to the Committee on Blanks of the National Convention of Insurance Commissioners re: Adoption of a Gain and Loss Exhibit for Fraternal Societies,' dated May 17, 1920, with instructions to report to the Executive Committee at its next meeting.

(Signed) "J. S. PHILLIPS, Chairman,
"J. BUTTON,
"J. R. YOUNG,
"A. C. SAVAGE,
"BURTON MANSFIELD,
"C. W. HOBBS."

Mr. Phillips: I move the adoption of the Report, Mr. President.

The President: Those in favor say "Aye," contrary "No." The motion prevails.

We will now have the report from the Committee on Valuations.

Mr. Phillips: I might say (before that Report is read) for the benefit of the Commissioners that that is the report that was adopted by the Valuation Committee, pursuant to the authority given to that Committee at the September Meeting, and the Committee at its meeting yesterday, did not modify that report. I will hand this report over to the Secretary to read.

The Secretary then read the report as follows:

"To the National Convention of Insurance Commissioners:

"Pursuant to the following resolution:

"Resolved, That the Committee on Valuation of Securities be authorized to make a contract for the publication of the book of

valuations, and that it also be authorized to arrive at the valuation of securities by such method as in the opinion of the Committee is proper.'

'Adopted at the annual meeting of the National Convention of Insurance Commissioners held at Beverly Hills, California, on the second day of September, 1920, the Committee on Valuation of Securities reports:

'That on September 30, 1920, the Committee met at the Hotel Astor, in the City of New York, for the purpose of determining what method should be adopted to arrive at the proper values at which the bonds and stocks owned by the insurance companies should be carried in their annual statements for the year ending December 31, 1920, and entered in the book of Security Valuations prepared and published by the Committee.

'All the members of the said Committee, except Commissioners Mansfield, of Connecticut; Young, of North Carolina, and Superintendent Potter, of Illinois, were either present or represented at the meeting. There were also present Deputy Superintendent Appleton and Auditor Hughes, of New York, and Marvyn Scudder, of the Investors' Agency. Representatives of many Fire, Life and Casualty Companies and fraternal societies, were also present.

'It was the unanimous belief of all those present that the values quoted on the stock exchanges and in the various financial publications at this time do not represent the proper values.

'After the representatives of the companies and societies had presented their views and retired, the Committee discussed the various suggestions which had been presented and unanimously adopted the following resolution:

'Resolved, That Mr. Marvyn Scudder, of the Investors' Agency, who is under contract with the Committee to provide the values to be published in the Book of Security Valuations to be prepared and distributed to the various insurance departments, Companies and fraternal societies early in January, 1921, be instructed to prepare the values by adding to the values set forth in the last publication of the National Convention of Insurance Commissioners, the market values as of November 1, 1920, and dividing the sum so obtained by two; except that United States Liberty and Victory Loan Bonds when acquired by subscription from the Government shall be carried at not less than par and those purchased otherwise shall be carried at the purchase price; provided that if any company exchanges any of its securities or real estate for Liberty or Victory Loan Bonds then the Liberty or Victory Loan Bonds shall be valued according to the market quotation of said Liberty or Victory Loan Bonds on the date of said transaction; and provided further that in no case shall the value of any security be fixed at less than the actual market quotation of December 31, 1920.'

'The Committee agreed that the values obtained in accordance with the method provided in the foregoing resolution should be used by all companies and societies in making up their annual statements for filing with the various insurance departments.

'The Committee also agreed that any companies which are required by their charters or by-laws to prepare the annual statements for submission to the directors or stockholders at a date prior to the publication of the Book of Security Values should be required, when

filing such statements with the insurance departments, or soon thereafter, to file extra schedules "C" and "D," giving the values set forth in the Convention Book.

(Signed) "J. S. PHILLIPS, Chairman.

"New York, N. Y., Dec. 7th, 1920."

The President: Those in favor of adopting the report as read, kindly signify by saying "Aye," contrary "No." It is so ordered.

We will now have another report of the Committee on Valuation of Securities.

Mr. Phillips presented this report to the Secretary, which he read as follows:

"To the National Convention of Insurance Commissioners:

"As Chairman of the Committee on Valuation of Securities, I submit the following preliminary report showing the contributions to date made by the various insurance departments to defray the necessary expenses for printing and publishing the book entitled 'List of Securities held by Insurance Companies,' as of December 31, 1920.

1920

Oct.	8th—Gustaf Lindquist, Insurance Commissioner, St. Paul, Minn.....	\$255.00
"	9th—Miles Schaeffer, Insurance Commissioner, Indianapolis, Ind.....	75.00
"	13th—L. K. Arrington, Insurance Commissioner, Nashville, Tenn.....	100.00
"	13th—J. T. McWilliam, Insurance Commissioner, Austin, Tex.....	50.00
"	14th—W. A. McSwain, Insurance Commissioner, Columbia, S. C.....	100.00
"	14th—J. G. Brown, Insurance Commissioner, Montpelier, Vt.....	150.00
"	15th—G. Waldon Smith, Insurance Commissione, Augusta, Me.....	100.00
"	15th—R. B. Forsyth, Insurance Commissioner, Cheyenne, Wyo.....	10.00
"	15th—Joseph Button, Insurance Commissioner, Richmond, Va.....	300.00
"	18th—Alfred L. Harty, Superintendent of Insurance, Jefferson City, Mo.....	100.00
"	20th—F. H. Ellsworth, Insurance Commissioner, Lansing, Mich.....	250.00
"	25th—S. A. Olesness, Insurance Commissioner, Bismarck, N. D.....	15.00
"	25th—W. N. Van Camp, Insurance Commissioner, Pierre, S. D.....	50.00
"	27th—J. J. Donahue, Insurance Commissioner, Concord, N. H.....	75.00
"	27th—T. B. Donaldson, Insurance Commissioner, Harrisburg, Pa.....	1,000.00
"	27th—C. W. Fairchild, Insurance Commissioner, Denver, Col.....	125.00
"	29th—Geo. P. Porter, Insurance Commissioner, ex officio, Helena, Mont....	32.00
Nov.	1st—A. C. Savage, Insurance Commissioner, Des Moines, Ia.....	200.00
"	1st—Henry C. Hapai, Dpty. Insurance Commissioner, Honolulu, Hawaii...	25.00
"	4th—Burton Mansfield, Insurance Commissioner, Hartford, Conn.....	500.00
"	5th—Frank H. Smith, Insurance Commissioner, Trenton, N. J.....	50.00
"	6th—Platt Whitman, Insurance Commissioner, Madison, Wis.....	300.00
"	9th—Alexander McCabe, Insurance Commissioner, San Francisco, Calif.....	250.00
"	10th—A. C. Barber, Insurance Commissioner, Salem, Oregon.....	50.00
Dec.	6th—Fred W. Potter, Insurance Commissioner, Springfield, Ill.....	300.00
"	7th—J. F. Ramey, Insurance Commissioner, Kentucky.....	100.00
	Total	\$4,562.00

Mr. Phillips: Mr. President, and Gentlemen: This report is simply given at this time to show the contributions which have already been made to this Valuation Pamphlet. I think your attention was called at the time of the September Meeting to the fact that on account of the increased cost in printing paper, the report for this year will cost from \$1,200.00 to \$1,500.00. The report contains the same number of pages this year as it did last.

Some of the States have already increased their contributions over last year, but in looking over the list I find there are quite a few who have not.

The State of New York is willing to pay its share and feels that it always has paid its share. Last year its contribution, after applying all the contributions of the other States, including the \$1,000.00 contribution of Massachusetts, which was paid direct, and after this account was paid, amounted to \$2,300.00. Now, unless these contributions are materially increased, it will be absolutely impossible to pay the bill this year. Of course, our State, I assume, like most of your States, has a fixed appropriation from which we make this payment, and had we been called on last year (that our appropriation this year is the same) to have paid that excess amount, why the bills could not have been paid.

I am simply calling your attention to this fact, and if any of the States which have already contributed have not taken that into consideration. I trust that they may find a way to increase their contribution, and those who have not already contributed may increase their contribution over that for last year.

I said at the September Meeting, I think it was not called to the attention of the Convention at that time—I think the matter was brought up by the Valuation Committee. In any event the bills or the notices to the various States have already been mailed, and I assume a great many Commissioners have received same, and a great many have not. One or two States have increased their contribution, and many others have simply duplicated their contribution of a year ago, due to the fact that this matter has not been brought to their attention. I don't want to be a beggar but I feel, however, that this work is just as much for the interests of the other States as it is for New York, and while we are willing to pay our share, we really can't afford to pay for any other States, because New York, like your States, is limited in payments by its appropriation.

Mr. Darst: I must say it was an oversight on our part. We should have been on that list. We want to pay as much as we have been paying, and some more. We will be glad to send in a check, Mr. Phillips.

Mr. Phillips: If the other States will send in a check it will help to solve the problem.

The President: What percentage of increase do you anticipate this year?

Mr. Phillips: It is almost 25%—no, the total was \$8,000 last year. There would be an increase of about 20%, it might be a little less.

The President: This is a matter of considerable importance, gentlemen. It is unfair for New York to stand this increase. We should make some disposition of the matter—make some effort to increase these contributions.

Mr. Phillips: Mr. President, I assume a great many of the States have contributed all their appropriation will permit them. Those that are not hampered by an appropriation I hope will increase their contributions.

I neglected to say, while the New York contribution last year was \$2,300, the department does a good share of the work, I mean not in making the valuations, but in the tabulations. The reports that you gentlemen send in are tabulated and indexed by our department, and if you had that work done it would cost \$1,000 or \$1,200. That, the department does in addition to its contribution.

Mr. Donahue: Mr. President, my State is New Hampshire; we don't contribute much, but I would be willing to increase our contribution 33 1-3 per cent. I would like, however, to have it conditional, that the Commissioners get their books as early as the insurance companies in the State. I find that they have received their books and peddled them around, before we get ours. This places us in a very embarrassing position.

Mr. Phillips: Mr. President, I do not know what the Commissioner means by that. All those books are expressed as soon as they are completed to the Commissioners first, and then to the companies. If some company in your State got a book prior to you, all I can say is that the express company delivered same to the company before they delivered yours. As soon as the books are completed, which is about the twentieth of January, the books are immediately sent out to the Commissioners and of course also to the companies.

Mr. Donahue: Well, I will add 33 1-3 per cent.

The President: Mr. Phillips, I think several of the Commissioners have gone through the same experience. I would suggest that your department send all of the books to the insurance departments in the respective States for distribution. Would not that remove this objection? I have had something of a similar experience and I believe if you could send an allotment to the Insurance Department, that department could then distribute these books, instead of your sending them out to any of the companies.

Mr. Button: I disagree with the President on that proposition. I think the New York Department in sending them direct saves time. My department has to give Mr. Phillips a list of every company—that is, Virginia company to whom he has to send this book. For instance, I have a Virginia Corporation, with its home office in Chicago, another in Washington. The idea is to get these books in the hands of the companies at once. They have to make their report, and if they had to send the reports to me and I make the distribution, it would mean a loss of 24 hours, or more, and you would not accomplish the object in view. The idea is to get them directly into the hands of the company. We don't check these reports up for some days after we get the Valuation, but these books should get into the hands of the companies at once.

Mr. Phillips: We will follow the wish of the Commissioners. If they want their quota sent to a department, a company, or direct to the Commissioner, we are willing to do that. It will save us probably a little expressage and postage to do it that way, but it seems to me that it is just as necessary for the company to have the Valuation Book as it is for the Commissioner, and if you forward, for instance, to Commissioner Ellsworth the quota that is necessary for the Michigan companies, there would surely be a delay. The package would have to be opened, remailed, etc., and you would have at least ten days' delay.

The President: We have no way of knowing where you send those copies and it would make duplication in that distribution, that is all.

Mr. Phillips: Mr. Appleton, who has charge of this particular matter, advises that for instance every Michigan company that is authorized in New York receives a book. In addition to that, before the time for mailing, you are advised of the fact that the Michigan companies that are authorized in New York will receive a book, and then you are requested to send in the names of the additional companies in your State. That is all we can do.

The President: Mr. Phillips, the trouble is that we in the department have no way of knowing who have the books and who have not. If you would send them all to us, we could make the distribution. We would then know that everybody received a book.

Mr. Savage: As I understand it, the Commissioner from New York will send into my State a book for all the companies that are authorized to do business in New York from Iowa. We have six companies operating in New York State. Are you to send them each a book?

Mr. Phillips: Yes, they each get a book if you send us a list of your companies. If you prefer it, we can send the allotment to the Commissioner and let him do the distributing.

Mr. Button: I know I received an acknowledgment of a letter to the New York Department several days ago in which I gave them a list of all the Virginia Companies. You take that list and check it up with yours to see if those companies do business in New York, so that there will be no duplication, and every Virginia company is mailed a copy of that book, whether they do business in New York or not. I, of course, have to furnish you with a list. Isn't that so, Mr. Phillips?

Mr. Phillips: If a Commissioner's company is authorized in my State, that company will receive a book. If they send us a list of the companies that are not authorized in New York State, we will give every company a book. If they prefer to have those books sent to the Commissioner, we will do that.

Mr. Van Camp: Mr. President, it seems to me it would be well to have a committee have these books in charge and make a statement of the extra costs. I will be glad to increase what we pay, but unless all the others do the same, we will still be short.

Mr. Phillips: Add 1%, 25% or 30% to what you are paying, and send us a check.

The Secretary: Some of the States have already increased their contribution. Take the State of Pennsylvania, it has increased its subscription from \$750 to \$1,000; Virginia, \$250 to \$300; and several others. We would like, however, for all of you that have not increased your contribution to do so.

Mr. W. B. Young: I don't want to be like a young man in my State. They were going to build a church and the people were asked to contribute toward it. Several did and others did not. After the contribution was over they found that they did not have enough to start in with and they found it necessary to have a second contribution. The young man that suggested that they have the people double their first contribution, didn't contribute the first time. (Laughter.) I don't want to be placed in that position. Our check has not been sent in yet. We have been paying \$100 and we will be very glad to agree with you gentlemen in increasing it. If you want us to double what we have been paying, we will be very glad indeed to double it.

Mr. Phillips: In making that statement I did not intend to criticize anybody. These contributions come in continuously until about January 1st, and I think the contributions thus far made, or the number of States that have thus far contributed equal the number that contributed last year.

The President: What disposition will you make of this matter, gentlemen? This is a matter of importance, unless you wish a special committee to come up to some of the—

Mr. J. R. Young: I move that the Secretary be authorized to write to each Insurance Commissioner that has not paid and ask them to come across, that we need the money.

Mr. Travis: I am going to be frank. We have not got the money. The State of Kansas does not make its appropriation sufficient to allow the Superintendent of Insurance to contribute towards this fund. I am here at my own expense. I think that is one reason why I am having a perfectly lovely time. I will tell the folks that our appropriation is deficient. At the present time I am making that contribution as high as I can. If I can get any more, you won't have any more trouble with Kansas in regard to its appropriation. I am not making any promises about anything else. (Applause.)

Mr. J. R. Young: Mr. President, a matter was brought to my attention at one of our meetings a day or two ago that is important, and I want to call a meeting of the Committee on Examinations so that we can go into this matter. I want to mention now that we will have this meeting at three o'clock, if there are no objections. I am mentioning this ahead of time so that every Commissioner may be present, every Fraternal Man, or company man that wants to may be present. An examination was made by about seven States

and the men who are in the departments are not satisfied. They have asked me to call a meeting of the Committee on Examinations so that they may be heard and give the real facts. I being the Commissioner of North Carolina think that the examinations that have been made were absolutely fair and just and that nobody has been done an injustice. However, I think it is only fair that these departments be heard by every member of this Convention and all those who are interested ought to be present at the meeting.

Nebraska, Iowa, Kansas, Missouri, Arkansas, Mississippi and South Carolina were accused, and it was announced that they robbed a Fraternal Society. I want you gentlemen to hear them at three o'clock, if the matter meets with your approval.

Mr. Burlingame: Mr. President, is new business in order? May I present this resolution to be read?

The Secretary:

"RESOLVED, That a committee of Five members of this Convention be appointed by the chair to consider and report upon the question of use and occupancy coverage as now provided by various classes of insurance companies, and to recommend to the Convention, if they deem advisable, uniform policy provisions therefor."

Mr. Phillips: Why can't that go to the regular Fire Insurance Committee?

Mr. Burlingame: I had in mind that Committee was so busy that I thought we could attend to it.

Mr. Phillips: That is entirely up to the Chairman.

Mr. J. R. Young: I would like to mention a word regarding that. It can be used in a rider attached to the fire policy. That is a matter well deserving of consideration.

The President: This rightfully belongs to the Fire Committee. I will refer it to them.

Mr. Burlingame: I have no objection to the Fire Committee taking care of it. I certainly do not want to ignore any standing committee. I thought the matter ought to be taken care of by a special committee.

Mr. J. R. Young: I believe in referring to the regular committees on these matters. I won't be on any of them. I move that this matter be referred to the Fire Committee to take care of.

The motion was seconded and carried.

The President: Anything further, gentlemen?

Mr. Mansfield: A meeting will be held on Laws and Legislation in this room at twelve o'clock.

Mr. Van Camp: We want a meeting of the Fire Marshals and Commissioners immediately after adjournment. I think we can have the Committee meet right here.

The President: Are there any further committee reports? (No response.)

Commissioner Whitman, of Wisconsin, you are Chairman of the Reciprocal Committee, have you any report to make?

Mr. Whitman: Not for a few minutes.

The President: Anything further to come before the Convention this morning?

Mr. Savage: I would like the meeting of the Fraternal Committee by eleven-thirty if possible. There seems to be one or two other meetings to be held.

The President: That Committee had this room yesterday afternoon. I think some other Committee would like to have this room now. This room really belongs to the Fire Marshals, before the close of this morning's session they need a session and ought to have it now.

Is there anything further, gentlemen; if not, we will recess until one-thirty.

It was voted, upon motion made and duly seconded, that the meeting recess until one-thirty.

ADJOURNMENT.

WEDNESDAY AFTERNOON SESSION

The meeting convened at two o'clock, President Ellsworth presiding.

The President: Mr. Mansfield, may we have the report.

Mr. Mansfield: Mr. President and Gentlemen: I have a report here of the Special Committee on the Memorial from Congress and the United States Shipping Board in regard to extending the facilities for Marine Insurance. That involves a great many points, among others one on multiple lines. I have here a report from the Committee on Laws and Legislation, relating to multiple lines and with your permission and the permission of the members of the Convention, I would like in a way to have them go side by side until you force a separation, which very likely you will do. Inasmuch as the same subject matter is to a certain degree involved in both, I am going to read them together and we will try to straighten them out before we get through.

A year ago the Convention appointed or referred to the Committee on Laws and Legislation the question of multiple lines which was introduced by a letter from Mr. Evans, President of the Continental Fire. That matter was sent by the whole Committee on Laws and Legislation to a Subcommittee consisting of the Superintendent of New York, Mr. Phillips, Mr. Whitman and myself. We made a report to the Laws and Legislation Committee this morning on that question, a majority and a minority report. The majority report is against introducing or permitting at this time so-called multiple line insurance. The minority report favors multiple lines. The Committee on Laws and Legislation, as a whole, of course, are opposing multiple lines. I will present the majority report (or ask

somebody else to) in a minute or two and then shall try to introduce a minority report in substitution of the majority report on the question of multiple lines.

On the question of the Memorial in reference to Marine Insurance, I desire, if I may, just to make a few remarks by way of introduction so that you may understand in a general way, at least, what the situation is.

You will remember that at Beverly Hills a Memorial came to the Convention from the United States Shipping Board and from a Congressional Committee, Committee on Merchant Marine and Fisheries, asking for the favorable consideration of the Convention and looking towards the extension of Marine Insurance Facilities. Those gentlemen who presented the Memorial have presented to the Special Committee on this question appointed at Beverly Hills a proposed bill regulating Marine Insurance which they intend to introduce into Congress, and, of course, limit its application to the District of Columbia.

That bill is primarily one for the promotion of Marine Insurance Companies and Marine Insurance. It provides, however, for a Marine Insurance Company doing a large number of other kinds of insurance other than marine and it classifies under various heads the various kinds of insurance with which we are familiar. It also raises in that way, you see, the question of Multiple Lines so that that is one reason why I am asking your consideration of the two at the same time.

That Memorial and the bill to which I have referred presents other questions. Among them is the question of reinsurance, the question of taxation, the question of the investment of the assets of insurance companies in the stock of other insurance companies, and there are sundry other matters raised in the Memorial and the bill which will appear to the convention when the report of the Special Committee on that matter is read to the convention as I shall ask to have it read in a few moments.

I want to say that underneath this whole proposition of enlarging our Marine Insurance Facilities, lies the increase of our Merchant Marine, our American Merchant Marine. The Special Committee met here in this hotel in November last and gave to the United States Shipping Board and to the Committee from Congress a hearing which took a whole day. Admiral Benson and several others representing the United States Shipping Board, including Professor Huebner, a well known expert on insurance, were present, and Congressman Edmunds, of Philadelphia, who is on the Subcommittee of Merchant Marine and Fisheries of Congress, and others were also present at the same time.

As there were other people who desired to be heard on some of the questions involved in that Memorial, particularly the question of Multiple Lines, the Committee adjourned and held another meet-

ing last Friday in this hotel, which meeting was thrown open to everybody who desired to be heard on one side or the other. I say the Special Committee has its report which it is ready to present. The Special Committee and those other Subcommittees of the Laws and Legislation Committee to which I have referred sent the preparation of a report upon the Memorial and the proposed bill to a Subcommittee consisting of Messrs. Phillips, Hobbs and Donaldson. Mr. Hobbs has prepared the report which becomes the report of the full committee, all members agreeing thereto including Mr. McCabe, of California, who has not been present at any of our meetings, but who is represented by Mr. Donaldson.

Now I have the two reports from the Subcommittee of the Laws and Legislation Committee to which I have referred, the majority report having become the report of the main committee by action of the committee this morning, and I will with your permission, Mr. President, ask that that report of the Laws and Legislation Committee (for it has ceased to be a majority report) be now presented and read. But with your permission I should like action thereon deferred until we hear the report of the Special Committee on the Memorial and the proposed bill relating to Marine Insurance.

I am going to take the liberty of asking Mr. Phillips, if he is willing, to read it. I don't adhere to that report, and I would rather not present it.

Mr. Phillips: The Chairman of the Committee apparently is not in accord with the report of the majority of the committee over which he presides. I therefore take my orders from him, and will read the majority report or the report of the Committee on Laws and Legislation.

"To the National Convention of Insurance Commissioners:

"Your Committee on Laws and Legislation having under consideration the question of Multiple Lines referred to it, reports, that in its judgement it is inadvisable at this time to abandon the American System of single or classified fields of insurance and substitute therefore the Multiple Line Policy."

In order that our records may be clear from a parliamentary standpoint, I move the adoption of the report which will give Mr. Mansfield an opportunity to present his minority report.

Mr. Mansfield: On behalf of the minority of the Laws and Legislation Committee represented by the Commissioner of Massachusetts, the Commissioner of Pennsylvania, and the Commissioner of Connecticut, I desire to present this report.

"To the National Convention of Insurance Commissioners:

"A minority of the Laws and Legislation Committee to which Committee was referred in December, 1919, the question of Multiple Lines herewith present the following resolution for adoption, as a substitute for the Committee's Report which has just been read:

"RESOLVED, That this Convention is of the opinion that the Insurance Laws of the several States should be modified so as to permit companies, others than those writing life insurance and surety and fidelity, to write under proper regulations, all classes of insurance except life and surety and fidelity."

That is signed by Burton Mansfield, Thomas B. Donaldson, and I have added Mr. Hobbs' name.

I would move that that be substituted for the report of the Laws and Legislation Committee. However, Mr. President, if I may and there is no objection, before we take a vote on that, in fairness to ourselves and convention and to the interests in the Marine Insurance matter, we ought to have the report of that Committee also presented. You will notice in that we try to say nothing on the question of the Multiple Lines further than to say that it will be otherwise disposed of. Mr. Hobbs, as I said before has prepared that report and with your permission, I would like to ask Mr. Hobbs, the Insurance Commissioner of Massachusetts, to read the report of the Special Committee.

Report of the Special Committee to Consider a Memorial from the Shipping Board and from a Committee from the House of Representatives Relative to Marine Insurance.

The Committee has considered the bill presented for the purpose of regulating Marine Insurance in the District of Columbia, and suggests the following report thereupon.

It may be presumed at the outset that the National Convention of Insurance Commissioners is entirely willing to do all in its power to assist and further the aims of Congress in building up an American Merchant Marine. We have endeavored, therefore, to give the bill presented careful and detailed consideration, taking up its several features with a view to ascertain which of these features can properly be presented as part of a uniform legislative program to be recommended to the several States. These points will be discussed in the order in which they appear in the bill.

1. Changes in the Marine Clause, so-called.

The marine clause in the proposed bill differs in form rather than in substance from those in use in States where marine insurance is very largely written. It has been represented, however, that some States have questioned the authority of a marine company to write the so-called builders risk. There would be no objection to broadening the clause so that builders risks or any other risks, except surety, affecting the subject matter, may be included, as it is our belief that in the ordinary forms of the marine clause this cover can be written. The Committee, therefore, recommends that State laws fixing the powers of marine and fire-marine companies be so amended that such a company may, in connection with a marine or inland marine or transportation insurance on property, also insure against any risk whether to person or to property, including liability for loss or damage to either, arising out of the construction, repair, operation, maintenance or use of the subject matter of such primary insurance, except life insurance and surety and fidelity bonds. The Committee does not consider it expedient that liability for death or injury to the person arising from the operation, maintenance or use of aircraft or automobiles be written under the marine clause so long as the sep-

aration now existing between casualty companies and fire and marine companies continues.

2. Classes of business which may be transacted by insurance companies.

Other than the changes in the marine clause there seems to be no reason for comment upon the classes of insurance outlined in the bill which companies may be authorized to transact. The classification made in the proposed bill differs in arrangement rather than in substance from the classifications in use in States having a well-developed insurance law. The main problem under this head is the combination of classifications with a single company may be incorporated to transact, the so-called multiple line problem. The distinction between fire and marine companies and companies writing the so-called casualty lines is very generally observed in insurance codes. Of late years there has grown up a certain degree of overlapping. Nevertheless, the distinction is of such long standing that there is much opposition to obliterating the distinction, not only among insurance companies but also among the several insurance departments. Inasmuch as the question of multiple lines is before the Convention in another form no recommendation is made in this report.

3. Re-insurance Companies.

While the case of re-insurance companies stands on a somewhat different footing, the same consideration as that noted above has caused no recommendation to be made in this report.

4. Re-insurance.

The clause of the proposed bill relative to re-insurance appears to be exactly parallel to the action heretofore recommended by the Convention and enacted into law in the States of New York and Massachusetts. It would appear unnecessary to do more than reiterate the conviction of the Convention that a liberal policy of allowing credit for re-insurance along the lines of the bill heretofore recommended is highly desirable. And that States which have not adopted this legislation adopt the Convention's bill.

5. The Unearned Premium Reserve for Marine Risks.

The rule laid down in the bill differs from the computation required by most insurance codes in that it doubles and in some cases triples the reserves at present required and besides sets definite limits as to when untermiated voyages or transit risks shall be deemed to expire. In present conditions affecting ocean transportation the limits set and the increased reserve appear not unreasonable, but it is questionable whether such limits or increases would not be unwise after normal transportation conditions are restored. Before recommending these changes there should in the judgment of the Committee be further investigation.

The bill does not seem definitely to provide for a loss or claim reserve. As it is phrased this item of liability is carried as a surplus.

The surplus of a marine company should be the remainder of its assets after deducting the unearned premium reserve, the loss or claim reserve, its other liabilities and capital stock.

6. Taxation.

The proposed bill provides a method of computing the underwriting profit on marine business, and the substitution of a profits tax for the excise tax on premiums commonly in use. A profits tax, other things being equal, seems more equitable than an excise tax on premiums. Before recommending a definite change, however, a further investigation should be made.

7. Investment of Assets of Domestic Companies.

A uniform investment law would be of great value but does not appear essential. This matter should also be investigated before uniform action is recommended.

8. Merger of insurance Companies.

A complete insurance law should include provision for the merger of insurance companies, and the provisions of the proposed bill appear entirely sound.

9. Membership in Underwriters' Associations and Insurance Syndicates.

The Convention is in entire agreement with the position of the proponents of the bill that a successful entry to the foreign field depends on the ability to form and the right of companies to enter into Underwriters' Associations and Syndicates. It is recommended that in States which have anti-trust laws prohibiting membership in such associations and syndicates, such prohibition be removed.

10. Foreign Branches.

If in States legislation is necessary to authorize insurance companies to establish foreign branches, such authorization should be made. The bill makes the following provisions in connection therewith.

"1. Provision that the transactions of a foreign agency may be omitted for the annual report for six months previous to the time when the report is made, all omitted transactions to be included in the next annual report.

"2. Permitting companies to include in admitted assets agents balances in foreign countries which are collectible and not more than 180 days past due, with such other modifications as may properly apply to foreign business obtained by way of re-insurance. The Convention has already taken action substantially along these lines. When necessary statutory provisions should be made for giving credit for agents balances in accordance with the above provisions."

11. Corporations to write insurance in Foreign Countries.

The proposed bill provides for the incorporation of companies to engage exclusively in insurance in foreign countries and permits the ownership of the capital stock of such corporations by American

corporations engaged in the same kind of insurance. The considerations relative to multiple line insurance by domestic companies do not apply to companies not writing business within the United States. The enactment of enabling legislation along the lines suggested, is, therefore, recommended, subject to the limitation that no insurance company shall invest more than twenty per cent of its capital and surplus in the stock of such corporation.

12. Other Provisions.

The remaining provisions of the bill relative to the licensing of brokers and the keeping of classified records appear to be domestic questions which may fairly be varied to meet conditions in the several States. With regard to the keeping of records, it might be said that a broad discretionary power in the supervising official is on the whole to be preferred to elaborate statutory requirements.

Respectfully submitted for the committee,

CLARENCE W. HOBBS."

Mr. Hobbs: Before taking my seat I would like to make one small statement with regard to this report in calling the attention of the convention to the fact that many of the provisions contained in this bill for the successful conduct of insurance in the foreign field have already been taken care of. The Burlington Rule, so-called, which effected the giving of credit of deposits made in connection with entering the foreign field was abrogated by action of this convention and has been followed in at least one State by the repeal of legislation which looked toward the same end.

The matter of re-insurance has been dealt with by the convention and has been enacted into legislation in the States of New York and Massachusetts. In other States the enactment of this legislation appeared unnecessary. It is possible that there are some States where the statutes should be modified in order to provide for liberal insurance along the lines of the convention bill, but in all events the convention in this line has done all that it can.

In the matter of agents' bills in foreign countries, and the treatment of the reports of foreign branches, the convention on the first day of this session took action substantially in line with the bill. Those compliances with the desires of the Committee of Congress should be noted to the credit of the convention, whatever the action to be taken upon the rest of the report; and this report, while it omits the big controversial question entirely, does include several matters which, if enacted into law by the various States would be of great value.

Some questions contained in this report cannot well be dealt with by means of a uniform report. The matter of taxation which is a very important question indeed, is almost impossible to deal with in a uniform manner on account of the varying taxation provisions in the State Constitutions and the wide variety of differences in taxation practises in several States. Nevertheless, the general principle that

a profits tax is more equitable than a flat excise tax on premiums is the conviction of the committee that considered this matter, and I think will appeal to the judgment of the convention because it is quite obvious that a profits tax falls upon the shoulders best able to bear it, and if such a tax can be framed to produce an equal amount of revenue, there should be no objection in the States to substituting it for the straight excise tax.

The other matters dealt with in the report, I think, mainly speak for themselves and I will not at this time add further comment.

Mr. Mansfield: I was going to bring up the minority report and then the majority report of the Committee on Multiple Lines and then this. I thought that would be a logical sequence. Is there any objection to that? If there is not any Mr. President, I would like to present my motion that the minority report of the Committee on Laws and Legislation be substituted in lieu of the main report.

Mr. Button: In view of the fact that there seems to be no difference of opinion on this report why might it not be a good idea to get rid of this report by having it adopted?

Mr. Mansfield: I was going on the theory that the smaller matters or the single matters could first be disposed of and then this report which embraces many matters, could come in. But I have no objection if you think that that is a better way.

Mr. Button: I thought this was a matter about which we all agree. Even the Commissioner of New York would agree to this.

Mr. Mansfield: I don't know as it makes much difference.

Mr. Button: I move that this report recommended by the Special Committee be adopted.

The motion was seconded by Mr. Phillips.

Mr. Mansfield: I simply want to say Mr. President in that respect that I simply signed that report and am willing to go so far as the report goes but I am willing also to go a great deal farther and I do not wish to be committed by the limitations of that report.

The President: Those favoring the adoption of this report will say "Aye".

The motion was carried.

The President: The committee is divided on the question of Multiple Lines. So that this matter may be presented to you intelligently, I will ask the Secretary to read the majority, also the minority report.

The Secretary: I will ask Mr. Phillips to read the majority report.

Mr. Phillips read the majority report.

Mr. Mansfield: This is the minority report which I move to be substituted in place of the report of the committee.

Mr. Mansfield read the minority report.

Mr. Mansfield: May I say a word in support of my motion, Mr.

President? The question of Multiple Lines, gentlemen, is not a new one in itself. It is a new question, however, in relation to the various connected matters which have recently come into existence. It is a very important question, the question of Marine Insurance and in that phase of it assumes a new and exceedingly consequential importance. I have already said and everybody knows, that so far as I am concerned and my little State, we are in favor of Multiple Line Insurance. There are companies already organized in Connecticut which have the power under their charters to write any and all kinds of insurance including life. I grant you, gentlemen, that that permission is perhaps of little avail when my friend from New York controls the situation and says that of course a company from Connecticut or any other State desiring to write all these lines, cannot be admitted to my State. That is all right, he has a right to do that; I am not questioning it. I might question his right to say that that company might not do that kind of business outside of the State of New York. But that is beside the question, so I realize that the position which I take may be of little real importance. I think, however, that as the statement of a principle, which I believe ultimately we are coming to, it has its significance and it is from that point of view that I desire to make my statement.

Admiral Benson and those who supported the Memorial to which we have referred and the proposed new bill regulating Marine Insurance, emphasized the necessity of Multiple Lines in order to carry on more successfully as they thought than in any other way what they desired to accomplish. They propose, if they can, to build up a large American Merchant Marine. In order to do that they have got to have the ships and they are providing them. In order to do that, our banking institutions have got to establish in foreign lands their banking branches and that is being done, and there is a third help. He wishes insurance interests and facilities to be extended to the longest and largest degree so that Marine Insurance and all that goes with it, so that all risks effecting a ship or its cargo or men concerned, may be insured under one operation and the parties concerned will not be obliged to go to half a dozen different offices, if necessity exists for intensive and complete coverage.

They also want to do away, if possible, with the great competition which is now being carried on by the European Companies against our own companies, especially the companies of England. Two-thirds of Marine Insurance premiums, which are now paid annually, are paid to companies in Great Britain. They think that a large part of that, if not the whole, should come to American companies and that American companies should be put into a position where they can compete at least on as favorable terms (if not better terms) with the foreign company.

I am not going to take your time to go into this important question. It would take too long, but I think whatever our views may be on the question of Multiple Lines, every member of your committee was

impressed with the idea that everything should be done by the National Convention of Insurance Commissioners and its members to further the objects which those gentlemen have in view and to some of us at least, this particular object, that of Multiple Lines seems to be an important element in their program.

With your permission, Mr. President and Gentlemen of the Convention, I am going to ask the Commissioner of Pennsylvania, as part of the remarks in favor of the minority report, to read what Mr. Rush, of Philadelphia, an insurance man with whom you are all acquainted no doubt, has to say on this subject. May I ask Mr. Donaldson to read a portion of Mr. Rush's remarks?

Mr. Donaldson read statement by Mr. Benjamin Rush.

Mr. Phillips: It is not my desire to detain you very long. I simply want to make a brief statement upon the proposition as it is now presented to the Convention and express the hope that the motion made by the Commissioner of Connecticut will not prevail.

I appreciate and concur in all that has been said in the desirability of building and developing American Marine Insurance. I differ, however, with my friend on the proposition that in order to successfully develop American Marine Insurance it is necessary to abandon our present American system of specialized lines and adopt what is known as the English system. England has a great many good things, but I am yet unwilling to subscribe to the proposition that everything that comes from England and from foreign countries should be adopted in America.

If you listened, and you did listen to the paper that was just read, you will find that one of the principal things which, it is claimed by Marine Underwriters to be in the way of building up the American Marine Insurance, is the fact that they have not been permitted to give complete marine coverage. In fact my friend from Connecticut said that it did not seem right that a ship owner or the owner of a cargo desiring Marine Insurance should be required to go to several companies to obtain his coverage. I agree with him, and the report which has just been adopted unanimously recommends that if there are any States with laws prohibiting the granting of complete coverage upon marine risks that those restrictions be removed, so that answers that question.

The thing I differ with is that in order to develop American Marine Insurance (and I cannot understand that) you must give them, what? The Multiple power, the right of any company to write all classes of insurance. Why? How would it help the American Company. We will say the New York Company, the Massachusetts or the Connecticut Company, if it had the right, in the case of a fire company, to write casualty insurance, including Workmen's Compensation Insurance, and the employer's liability (and that is about all left here), how is it going to help them to build up the business of Marine Insurance by giving them the right to write such additional lines in Massachusetts, New York, Illinois and all the other States where they are operating?

Why I said to the committee this morning, probably the greater part of the Marine Insurance originates in the City of New York. I suppose more than 80 per cent of it. Last winter when the proposition was presented to the Legislature, when we were trying to eliminate the unauthorized Marine Insurance, the American Underwriter, the broker, the ship owner, all stated that there were not sufficient American facilities and now we have just found out the cause. That is because a fire company cannot write in the State of New York, and these other States compensation insurance and all other lines. If they had that, then they could give the marine facilities. To my mind there is nothing in the argument.

There are some other considerations. If the English system is such a thing (Canada is a part of England) why did not Canada adopt the English system? They have the specialized lines there. You have in this country the small company. Probably a large company with ten or fifteen or twenty millions of capital and surplus could get along in writing the Multiple lines, but what would be the result? Going out not in competition for Marine Insurance but in competition for other insurance in the States where they operate, the casualty in the casualty field would want to go into the surety field ultimately. This would only be a stepping stone and then every company in order to compete with its competitor, whether it was necessary or not, would want to adopt the same lines and with its small capital and surplus how long do you think it would survive?

Repeating again the statement I made before the Committee this morning, that if you adopt the Multiple Form System, in my judgment the prediction made several years ago by a prominent underwriter, that inside of twenty-five years twenty-five insurance companies would be writing all the fire insurance business in the United States, would come true before the expiration of that period.

I confess that when this thing was first presented, it came to our department early in my administration. It was rather a fascinating doctrine and I couldn't quite understand why a company that had sufficient capital should not write all lines of insurance, but the more I have studied it, the more I have learned about it in the administration of the office, the more I have become convinced that our American System is preferable to the English System.

I could go into the different phases of it. For instance, if you had all the lines, how would you separate them? Is all the capital going to be used in case the marine losses were so great, so that that fund became impaired? Are you going to use the entire capital of the company to make good that and subject all the other policyholders, the casualty policyholders and the surety policyholders, to that hazard? There are also the workmen's compensation policyholders, and that you want to bear in mind is an important phase of insurance today and our compensation insurance carrier should be so safe and so sound the workman when he receives an injury and is given an award can know that he can collect that award.

Here is an illustration. I have in mind a company in this State (I think the Marine Underwriters will bear me out) that last year was not an exceptionally good year for Marine Underwriting and there are many Marine Companies operating in this State. Some of them are pretty near the ragged edge because of their Marine business and I have one company in mind that has used up a million two hundred thousand dollars of its capital in Marine losses in the last two years, so that it was required to cease writing business. It has all gone in Marine losses. If you had a segregated fund of the Marine Fund and had to liquidate that company, what would you have? You would have the bare reserves on your other lines.

I don't know who was responsible for the American Specialized System. It might have grown up in a haphazard way, if you please, but if anyone was responsible for adopting that system or however it came about, I think they builded better than they knew and I think as the years go on, you will find that our American Specialized System will ultimately result in greater security to the public and to the insured than that which would be developed under the Multiple Form System.

I don't care to take more of your time. I do hope that this convention at this time will not go on record and adopt the Multiple System and abandon the American System.

Mr. Donaldson: Might I ask you a question, please? In the financial crisis of the American Marine Insurance Company to which you referred, were their losses incurred on hull or freight or cargo insurance?

Mr. Phillips: Both.

Mr. Donaldson: Which were the majority losses?

Mr. Phillips: Probably cargo.

Mr. Donaldson: Are you sure about that? I think you will find out that the companies which suffered losses have taken on hull coverage which was not written by the high class and high standing companies. The three Marine Pools which are organized today were the result of a demand for hull coverage which was apparently the worst form of coverage for them and there had to be a growth of facilities for hull coverage which resulted in the creation of the three pools to which the seventy-one companies are contributing now which had never existed until Mr. Edmunds and the other gentlemen organized this pool.

I take issue that the public is entitled to coverage. This suggestion from Congress is that facilities for coverage should be had. It has not heretofore existed. My point of view is that the American people, ship owners and others which are entitled to coverage and facilities should be accommodated and capital should be attracted. They claim capital is not attracted to Marine Insurance because of the restrictions of the laws of the various States.

Mr. Phillips: Under the special report which has just been

adopted you give complete Marine coverage, do you not? However, with this plan the fire company must invade the casualty field and the casualty company the fire field in order to build up their business so they can carry on Marine Insurance. That would be the logical argument.

Mr. Donaldson: Suppose that in the port of Rio de Janeiro an American Fire Company was located and not permitted to write casualty lines and face as is the case British companies writing Multiple lines. Who gets the coverage from the southern port into America?

Mr. Phillips: If that American Company is in a State that will amend its law in conformity to our special report, there would be nothing to prevent it from giving the casualty coverage on the Marine risk.

Mr. Young: Then you think the special report adopted gives a full answer and all that they ought to have?

Mr. Phillips: So far as the Marine Transportation Risk is concerned. When you enter into the foreign field that special report provides for the ownership of stock in a foreign company so that if that weapon is necessary (the Multiple Line weapon) to develop foreign business, and our companies are large enough and want to invest a portion of their assets in a company that is organized expressly for the purpose of carrying American business in the foreign field—they can do it. We have a limitation as to the amount of such investments which in my judgment is much better than to give them all the Multiple Power rights in this country.

Mr. Hobbs: Mr. President, it is with some hesitation that I enter upon a discussion of this subject which has been so ably covered by the two leading exponents of the various sides of this question. I feel very heartily in sympathy with the ambitions of the Committee of Congress which is dealing with this great subject. There can be nothing more depressing to our recollection than the fact that the American Flag disappeared largely from the ocean where once it was frequently seen and that one desiring transportation to or from America must get it as a rule under the flag of another nationality.

The cause which led to this were undoubtedly manifold. The result is one, I think, which as Americans we all deplore and as Americans we all sympathize with the ambitions of Congress to keep that flag upon the ocean and to transact the great commerce of America as far as may be in American bottoms. It is, therefore, with that feeling that I have perhaps listened overfondly to the arguments of the Committee from Congress and been much impressed by the points they brought out.

I have listened with great attention to the arguments of the Superintendent of Insurance of the great State of New York and as a practical matter, I realize that whatever action we take on this resolution can have little effect except as an expression of the con-

viction of this convention, for so long as the State of New York retains its present position, no action of every other State in the Union can effect the result of it.

Whatever be the reason that he has brought forth, he cannot at least deny this salient fact that whatever be the purpose of our system of American Insurance, whatever be its science, the money in the foreign insurance field has been made by other nationalities. That fact is too prominent to need any great discussion. The figures were all presented for the benefit of the Subcommittee that sat upon this matter and have been argued extensively elsewhere.

I have never hear that in England there was greater insecurity in the insurance companies than in this country. I have never heard that their dealings with their policyholders were less equitable, and I have never heard that any great harm resulted from their system of insurance. That fact remains to be demonstrated to my satisfaction and on the other side, you have the undoubted fact that this matter of foreign insurance of international insurance, English companies stood supreme until menaced by the aggression of German Companies before the great war.

It is very good sense in attempting to invade a field where others have practised successfully to take a leaf if you can, out of your opponent's book and base your action in part at least on what he has found a successful system. It may be that this will involve giving up some of the practises common to American insurance. It remains to be seen how vital those practises are and to what purpose they are directed.

If I may make a certain illustration of the differing attitudes of the Superintendent of New York and the Commissioner of Connecticut to this question, I might use this illustration, that the Superintendent of New York looks upon insurance companies as if they were dogs the breeds of which must be kept pure and that only the dogs of selected strain should be allowed to do business. (Laughter.) The Commissioner of Connecticut on the other hand is strong for the all round dog, the dog of many sires and perhaps of many dams, the dog which the unkindly Superintendent of New York might prefer to classify as a mongrel or even as a "yellow" dog, but we have it on the authority of an eminent naturalist that when you get out of the special conditions that make the breeding of special breeds possible, it is the "yellow" dog that survives and the special types that die out. (Laughter.)

That, I take it, is exactly the argument of the Committee of Congress. They point to this foreign field and the all round companies that are doing business in it and they argue that the specialized companies of America cannot hope to compete because they cannot find the food that they have been relying on in the States and that I take it is the argument that is expressed in somewhat vulgar terms perhaps which is back of that contention that we ought to take a leaf

out of the English Companies' book, pay less attention to special lines of insurance and if I may say to the interests of the special line companies, and pay more attention to the building up of potent all round insurance organizations that will have a standing and an ability to do business in the same way that their competitors do. If we do that, we at least have a better chance of success than we have now.

There is nothing in Multiple Line Insurance that detracts from the soundness of a company. In theory at least the more lines a company writes and the further it extends its risks, the least likely is a loss in a single branch of insurance to upset it entirely. Take the case the Superintendent of New York has quoted of the Marine Company which, on account of its failures in the Marine Field alone, was compelled to cease writing. Had it spread its risks over more fields and been able to compensate with a profit which it derived from one field the loss it sustained in another, that cessation of business might not have been necessary and if I am not mistaken, that principle is some reason for the success of the companies which have in the foreign field not confined themselves exclusively to single lines of business.

As I have stated in the beginning, I regard this more as an expression of opinion than as having any practical bearing on the result, but I feel strongly that way that this convention should hold up the hands of Congress in its endeavor which ought to be dear to the hearts of every patriotic American citizen. We might at least extend the power and let the result prove whether it was wise or not.

The President: Are there any further remarks? The question is on the adoption of the minority report. Are you ready for the question? Those in favor of the adoption of the minority report of the Committee will say "Aye," opposed "No." The motion is lost.

The question now is on the adoption of the majority report of the Committee. Those in favor will make it manifest by saying "Aye," opposed "No." The motion prevails and the majority report is adopted.

Mr. Mansfield: There are three matters referred to in the report of the Special Committee on Memorial where the Committee suggests further investigation be made on the question of unearned premium reserve, the question of taxation and the question of investment of assets of Domestic Companies. You have adopted this report unanimously, I think, and I suppose, therefore, those recommendations as to further investigations in those three respects are also adopted. I do not know just what the convention wishes to do in the way of further investigation—to send those matters to perhaps their respective committees if there are such committees.

Mr. Button: I move that in view of the fact that there are still further matters to be considered that this Special Committee be continued and that they be instructed to further consider the matters

which were embodied in the report and make recommendations at some future time.

The motion was seconded.

Mr. Mansfield: I hope, however, you will not restrict us to the consideration of the matters involved in the report, but if you have no objection, I would like the committee continued for the purpose of taking up all the questions which are involved in the Memorial and the proposed bill so that whether they are contained in the report or not they may be considered. I would like to offer that amendment.

Mr. Phillips: You don't want to continue the other proposition that we have just settled?

Mr. Mansfield: No, no. New matters.

The President: The motion is that the Special Committee be continued. Those in favor of that motion will signify by saying "Aye," contrary "No."

The motion was carried.

The President: What is the further pleasure of the convention?

Mr. Young: Mr. Chairman and Gentlemen: The Committee on Examinations think that they have done fairly well in improving the conditions in regard to examinations, the examinations themselves and bringing about better results, and it is very important that there should be no misunderstanding of this work and no stigmas left upon those departments which have undertaken these examinations. A day or two ago, there was a statement made before a committee of this body that a Fraternal Society had been examined by certain departments of this Convention and that they had absolutely robbed the Society and done a great many things that were mean and unconscionable. I don't believe that and I want to ask this convention now to hear from the Commissioners of those Departments and let them say to this convention whether these statements were true or false. It will take but a few minutes and I think it is due the convention and is one of the most important things that we can do to make this body understand that the examinations are fair and just and that no society or association of any character has been taken advantage of. I would give you the committees and ask you to let the representatives of those departments be heard from.

Mr. Phillips: Before that is taken up I would like to announce that after this matter has been disposed of, then we should recess and have an opportunity for the Executive Committee to meet and dispose of certain matters before it.

Mr. Whitman: I would suggest that this be taken up as a committee matter so that other committees which may have anything to attend to may do their work. The time is getting short and there are other committees to report. The Reciprocal Committee should meet at once so as to be able to make a report to this convention before it adjourns and my suggestion is that the Fraternal Committee take up this matter of Examinations and that the other committees meet where they can meet, if that would be satisfactory.

Mr. Young: With due deference to the suggestion (and I always want to take any suggestions for they are generally wise) this is not a committee matter. This convention ought to hear these gentlemen and ought to know whether aspersions cast upon them were true or not. The committee possibly knows that it is not so but the members of every department composing this convention ought to hear these men and ought to be in a position to know the facts.

Mr. Harty: I know the trouble about Mr. Whitman's suggestions is that some of the States who were interested in this examination as selected by the Chairman of the Committee on Examinations, are also members of committees and it is impossible for men to be in two places at one and the same time. Therefore I am with Col. Young. I think we should get through with this matter and then take up any further committee matters that may be necessary to bring before the convention.

The President: The question is on recessing until—

Mr. Young: You don't want to recess. You want to hear these men; they are entitled to be heard.

Mr. Mansfield: I have a communication which has been addressed to me in regard to Group Insurance. It comes from Mr. J. F. Eagan, who I understand (although I do not know of my own knowledge) is connected with the Equitable. It is new business and relates to Group Insurance. I will read it to you.

"Hon. Burton Mansfield,

Chairman, Committee on Laws and Legislation, National Convention of Insurance Commissioners—In Session:

"Dear Sir:

"This is to request that your Committee give consideration to the advisability of amending, or recommending the amendment, of existing statutes relating to Group Insurance, and also to modify the terms of the resolution of the Insurance Commissioners Convention, which serves generally as a guide in the consideration of questions bearing on the definition of Group Insurance, for the Departments.

"The generally accepted definition of Group Insurance in all States, and the statutory definition in those States which have Group laws is as follows: 'Where fifty or more employes of one employer are insured, the employer, or the employer and the employes jointly paying premiums.'

"This is a fair definition of Group Insurance as it is now interpreted. I submit for the consideration of your Committee the wisdom and fairness of broadening the definition of this class of insurance. My thought is that the definition should be broad enough to permit the insurance of any homogeneous 'Group' of lives, whether or not employed by one employer and whether or not the employers or employes pay premiums, and whether or not in fact they are solely industrial groups.

"I have a case at the present time, one of several, which I believe properly and fairly may be considered for writing as a group. It consists of the membership of one of the big national labor unions. Being a trades organization its membership is composed wholly of high-class mechanics, skilled craftsmen, and notwithstanding that they are organized into local bodies, they are of uniform class and character and more truly represent the idea of a homogeneous group than all of the employes of any one employer who may represent a score of occupations radically varying in character of occupation and individual insurance risk. This particular organization desires to be written as a whole for a Group Insurance. The national organization pays the premiums. They do not want any but a legal reserve carrier. They want a Group

contract. Under the existing definition of Group Insurance to so write them would be an impossibility and I think the present statute and the general rule embodied in the resolution of the Insurance Commissioners Convention falls far short in cases of this kind of properly defining Group Insurance and the effect is to prevent legal reserve companies from taking over a tremendous volume of business awaiting them.

"I have other organizations bearing in a way on this same question. For instance, a non-incorporated body consisting of 75,000 members with over 1,000 local bodies. This has no corporate status. It has no insurance at the present time. I have a contract with the organization, the intention being to provide its members and the members of their families with legal reserve insurances in amounts and kinds individually applied for. It is a voluntary association, perhaps loosely classified in the public mind as a fraternal organization, but it bears no relation, legally or any other way, to a fraternal beneficiary society. I believe that the Group law may be so changed as to permit legal reserve companies to provide an insurance service for organizations of this class. It may be stated that individual applications and medical examinations are required under this contract and all of the safeguards usually thrown about the writing of individual insurance are covered.

"The first organization mentioned, however—the national labor organization—is the one that I particularly desire to call to your attention. The second may be classified as individual insurances and may be so written, but the first is a distinctly high class and homogeneous body, from the standpoint of risk affording a better selection than almost any Group that has been written, and still it cannot be written under the present Group law.

"I am entirely willing that the companies writing Group Insurance shall be heard on the question, because I am confident that they will all agree with my view of the matter. The desirability and the necessity for action is very apparent to me, as I hope it will be to your Committee.

"I shall be at the service of your Committee at any time to go into this matter more at length and detail.

(Signed) "J. F. EGAN."

That, I suppose, will go to its appropriate committee, Mr. President, if you are willing to receive it. What committee should that go to?

The President: That will be referred to the Laws and Legislation Committee.

Mr. Travis: I rise to a question of personal privilege. Along last January, in connection with several other departments, the Department of the State of Kansas received a communication from the Superintendent of Insurance of the State of Nebraska asking him to participate in an examination of the Woodmen of the World. He also requested that I send two men. Ordinarily my department sends but one man, but in deference to his request we sent two men. This examination began the fifth day of April and lasted off and on until about the twenty-seventh of July. The Department of the State of Kansas sent no boys. We sent a couple of hard-headed business men and their examinations on the part of the Kansas Department disclosed these facts:

The Chairman of the Committee on Organization was a Kansas man, the Chairman of the Committee on Claims was a Kansas man. When they got through in connection with the other experts, their report was such, that with the other Commissioners involved, I received a communication from the Superintendent of Insurance of the State of Nebraska asking me to be in Omaha on a certain day.

I went up there. I found all the other Commissioners who were interested in this examination there, but the Commissioner of South Carolina. It was a voluminous report. It sometimes suggested this, that and the other thing. What your Commissioners tried to do in this conference was to iron this situation out so as to present a fair, equitable and just report.

Previous to this, however, one of my Examiners, Major Herndorn who had charge of the organization work, came down to Topeka. He laid before me a tabulated statement, showing that the Woodmen of the World had been paying on forged printing bills commencing back in 1917 and running down to that date in the aggregate of \$33,935.67. He had it tabulated month by month, year by year. This was the grand total. He asked me what he should do about it. The first thing I asked him was whether in his judgment there was any collusion between the officials of the Woodmen of the World and this printing establishment. He said that there was not. Then I told him that he had wasted his time coming down there because he knew what to do with it. He went back, he laid this matter before these officials. They went down to the printing establishment and recovered from this printing establishment \$33,935.67.

The only criticism as a Commissioner which I have to make of this society in regard to this particular instance is that it showed a mighty loose, lax system. I don't believe it will ever occur again. The Committee on Claims headed by a Kansas man made a report which they did not like. I believe the other Commissioners will bear me out that it was the Superintendent of Insurance from the State of Kansas who went out and redrafted that and brought it back so that it was perfectly satisfactory to this Society.

Now he has told you that there were private papers taken out of his files. As to that I do not know. I received no private papers. I gave out no information. I was so square with this Society that when they had a large insurgent meeting in Topeka, Kansas, and I was invited down there and after listening to their chief insurgent, Mr. Wilkinson, I was asked to make a few remarks and I told those people to stay by their society, that they could not afford to leave it.

I have no fight with the Woodmen of the World. I do not like their strictures because they are not true. The Commissioners, gentlemen, if they had let the report of the examiners go, would have added fuel and flame to the insurgent movement. We did not believe that it was our duty as Commissioners, after being called in there in conference, to let anything go in that report that would in any way tend to feed this flame and we took it out. These other Commissioners will bear out my statements that we took everything out of that report which would in any way hurt that Society.

Mr. Frazier's strictures are unwarranted, they are unkind, they are untrue and I want to make this statement right now, that the next time that Kansas participates in an examination it don't make

a particle of difference what the condition is of that society, it is going in the report in so far as I am concerned, and if they have got an insurgent movement on hand they can just take care of it. I am done.

I am inclined to believe that he received distinguished consideration from everybody. It was the one idea of every man there to smooth this thing over and to fix it so that they would get by and the administrative affairs and details be entirely cut out of this report.

There were many other things that I could mention. I am not here to advise the Woodmen of the World or tell them where to look for the leak, but if they will look inside of their own organization, they can find out where the leak is.

President Ellsworth: Any further remarks?

Mr. Button: I would like to interrupt the proceedings a moment. I think it very necessary and proper that we should interrupt the proceedings of the Committee on Examinations. The work of this committee has been very dear to the heart of the Commissioner from North Carolina. It has been his hobby and he has developed the idea to a remarkable degree and I want to interrupt the proceedings at this juncture to introduce the Commissioner from Connecticut who will make a little presentation to Commissioner Young because of the fact that he is about to relinquish the office of Commissioner of Insurance, a position which he has adorned.

Mr. Mansfield: Mr. President, Ladies and Gentlemen, and Col. Young (he has no business to be out of sight over there, it is not congenial to us): One and twenty years ago the people of North Carolina, Colonel, through their representatives and later through their own actions, I understand, saw fit to make you the Insurance Commissioner of that great State. You have performed those duties with an efficiency and dignity which any one who knows you is well aware you possess. We come to you today as friends, not friends of twenty-one years unfortunately, or more, but friends of many years nevertheless, and we come to you, sir, not only as Commissioners of Insurance, supervising officials, but we come to you as insurance men engaged in the performance of their various duties connected with their various companies. We come to you as members of Fraternal Societies with which you have been more or less in contact, I understand during at least some portion of your long term. We come to you because we feel that you deserve recognition from us all, regardless of whether we are members of the convention or not and in the name of us all, Commissioners, Superintendents, Insurance Company Officials, Fraternal Society Officials, members of our audience, listeners, and everybody else interested in insurance, including the press, desire to tender to you as recognition of our appreciation and our very deep friendship, this little silver service which has been procured as I have intimated through the contributions of all your friends who within the last few days have sojourned with you in the city of New York.

On their behalf, Colonel, I desire to present this to you and wish you all the success which can possibly come to you in your future calling, whatever it may be. We dislike to part with you, but inasmuch as you have cast the die, we accept the situation. Colonel, will you please take this from us in the spirit in which it is presented. (Applause.)

Mr. Mansfield presented Col. Young with a Silver Service.

Col. Young: Mr. Mansfield and Friends: This is indeed a surprise to me but none the less appreciated. During my long association with you, you have always been kind to me, you have always done for me and given to me more than I deserved at your hands and this is but another expression of your past record in this respect. I cannot put into words, I cannot give to you here this evening that which I feel and my appreciation, and tell you of the fullness that is in my heart and of the love and friendship that I bear for you one and all. I have tried to do what I could in my feeble way. That I have made mistakes is evident, I am but human and I have not the ability of you all, but I have tried to go along and do that which I thought was best for my people, the people of this country, the great insurance business and to help on the work of this convention as best I could. My appreciation of it is shown by the fact that I have time and again said to young Commissioners who came in, that even with the experience of twenty years I would not undertake to perform the duties of insurance Commissioners if I could not have the privilege of coming and meeting with the Convention of Insurance Commissioners. What I get from them, their association and their help, has been to me the means of doing what little I have accomplished. In my own State, we have built up a good department. We have there a good place for the insurance companies and for the people and it but illustrates the fact that in dealing with this matter and trying to perform the duties of Insurance Commissioner, I have also borne in mind that there was more than merely the good of the people, or at least that there was included in the good of the people that which was best for the companies and best for the great insurance business and its interests. I have not always agreed with the Commissioners on questions that have come up. I have probably been a little bit outspoken at times in what I thought, but if I have thought a thing, any one could always get it from me, I had nothing to hide. I have not always been quite as smooth with some of the representatives and companies and societies as if I had been content to go along and say nothing and do nothing and just let the thing float along, but, Mr. Chairman, and gentlemen, my friends, and I value you as such, and I am proud to call you my friends, I have always felt that it was my duty when I thought a thing and believed that this thing or that thing or this course or that course was the best for the business, best for the insurance company or best for the society, I have never hesitated to say so and when it was decided against me, I went down but if I did not change my mind I would

bob up the next time the question came up. And so, Mr. Chairman, Gentlemen and Friends, I thank you from the bottom of my heart, not simply for the value of the gift, but for that fullness of your heart that prompted you to bestow upon the old man this last tribute of respect in his work. I thank you. (Applause.)

Mr. Savage: Mr. President: I first want to pay my compliments to the gentleman from North Carolina, especially in view of the fact that at this particular time we have under discussion a matter which was at that time under his supervision as Chairman of the Committee on Examinations. I simply want to say that during my short term and short career as a Commissioner of Insurance, it has been one of my pleasures to sit at the feet of Col. Young and learn from him some of the courses that were taken by those who have supervision over insurance matters in the States. I have found him most helpful in every way and in the close contact I have had with him in conventions, I want to simply express my appreciation now of the great help he has been to me during that time.

I with all here today regret that Col. Young is to leave the service as Insurance Commissioner in his State and will cease to be an active member of this organization. It was under his administration as Chairman of the Committee on Examinations that the examination of the Woodmen of the World this past year was conducted. Acting upon instructions from him through the Nebraska department, Iowa with six other States, participated in the examination of the Woodmen of the World. There were many problems to solve. Difficult problems, if you please, and it was a very startling effect that the expression made by Mr. Frazier before the Committee the day before yesterday had upon those who had participated in that examination. It seems to me that no more cold-blooded statement could be made before a body of men, trying to supervise and do the right thing by the insurance companies than that made by him Monday. We have the most wholesome respect for the administrative officers of the various companies. We believe that in the main and almost without exception those officers are trying to conduct the affairs of those institutions fairly and squarely. He made the statement at that time that \$20,000 was expended by his company, he believed in the course of this examination, an examination by the way that covered a period extending over three years in one of the largest Fraternal Organizations in the entire country.

As I said, Iowa and six other States participated in the examination. We were asked to send two men to help. We did not send boys. They were not fellows that were running around as stated by Mr. Frazier wearing Fraternity Pins and just out of school. They were fellows who were mature men in the insurance game so far as examinations were concerned, two of the best men that we had in the Iowa department, fellows who had spent a good many years in the examination of Life Insurance Companies and Fraternal Insurance

Companies. One of them himself had been connected with a Fraternal Company and the other had spent his time for years upon the examination of Life Companies, devoted all his time to it. Three or four weeks of the time of the actuary of my department was devoted to that examination. The expense incurred by the Iowa Department consisted of the per diem charge not exceeding \$9 per day and the expenses of two examiners and the expenses simply of the actuary. As was stated here today, \$33,000 was found running around loose down there in the hands of people who were not entitled to it and through the efforts and exposure by the examiners that money was recovered so that at best \$13,000 fell into the coffers of the Woodmen of the World by reason of that examination in spite of the expense of \$20,000 they claimed was incurred.

After the examination had been made by the examiners, a tentative report was filed in the various States. A great many things came to light that seemed to warrant either some other drastic action or at least to correct conditions and the company itself asked for a hearing. The Commissioners from these seven States participated in that hearing and heard the Company's side.

We met in Omaha and all departments were represented except South Carolina as has been stated. I think four of the Commissioners were there. We first had conference with Mr. Frazer himself, spending one entire afternoon listening to his plea, with tears in his eyes. He made a request for a change in the report admitting in many cases that the report was correct but believing that the Society itself would be more or less harmed and fuel put in the hands of insurgents, those who were seeking to destroy the organization if they could. He pleaded with us that some of those things be taken out of the report for the sake of saving that organization.

Almost all of the next day was spent at the office of the Society. There again the officers of the Society, defiantly, almost at times, required and requested and demanded that certain portions of the examination report be taken out. And again with those same tears flowing down their faces with that howl of misery coming out of them, they asked again that we take those things out of the report that we might avert the awful catastrophe that was to confront them in case the insurgents got hold of some particular word in the report that might prove to be harmful to them. After much consideration, realizing the troubles and recognizing the fact that a great many times those who become insurgents in any organization of that kind do so not so much to correct conditions as to secure power and control for themselves, we thought then, out of the kindness of our hearts that we would take out of that report some of the things contained in it.

During the course of the conference, Mr. Frazier expressed the opinion that the examiners had no business to go into the files of that company to determine how the policyholders had been treated and remarked that hereafter he would see to it that a great deal of

the correspondence that the examiners had found would not be there for future consideration. It seemed to be wise to inform him at that time that such a procedure would not be exactly wise or helpful to the institution itself, believing that the examiners and those interested in insurance administration were entitled to such information as would enable them to determine the condition of the company and the policy being pursued in connection with the settlement of claims and the general policy of the company in regard to its policyholders. We still insist that that sort of examination is justified at times, if by some means or other evidence is brought to our minds that policyholders, sometimes as a class and sometimes as particular individuals, are not receiving the treatment they should at the hands of a Beneficiary Society or a Fraternal Organization.

So we have taken exceptions to the statement made by Mr. Frazier before the Committee on Monday and I believe it is the regret of everyone here that the gentleman is not present at this particular time to hear the expressions of those who are interested in that examination and who now rise to a point of personal privilege as it were in defence of the examiners representing the various departments and of the action taken by the Commissioners.

We feel that no one, no company, has the right to make the assertions that were made by Mr. Frazier. So far as the matter of having copies of the correspondence taken out of his files by the men there and given into the hands of the insurgents for their use, I know nothing about, but I believe I am safe in saying (and I don't know all the examiners) that not a single examiner upon that work took one document and placed it in the hands of anybody whereby it could become available to any one whose intentions it might be to tear down that Society. The gentleman seems to have forgotten that perhaps those who received some of the letters might have given them into the hands of insurgents or others that by some other means these papers might have come into the hands of the insurgents. One of the things that kept us all the time working in an effort to do the right thing was an effort made to withhold from the public, to withhold from any one just what had been going on there or what ends had been disclosed, awaiting the final report until such a report became a matter of public property and of public interest.

So on behalf of Iowa I wish to protest most emphatically against the statement made by Mr. Frazier to members of this convention Monday, and it seemed to me nothing more than fitting and proper that any one making such statements in view of what has taken place should, in fairness to the Convention, and fairness to the States and in fairness to the supervising officials everywhere make such retribution as possible as would clear the atmosphere in the future.

While I am on my feet let me say further: Col. Young during the time he has conducted the work of the Committee on Examinations as its Chairman, seems to me has at all times endeavored to have the examinations conducted in the most fair and impartial way

possible. We have been asked several times on behalf of the Committee to participate in the examination of other companies. It has been a pleasure to us to do so and particularly in working under his direction. It seems that some years ago (I have forgotten the exact date; many of us remember) there was an action taken by this convention that in the future the examinations conducted by more than one State should be under the control of the Committee of Examinations, brought about largely by reason of the conditions that prevailed in the past where various States exercising the rights and the powers given them by law to examine any company they saw fit to examine. That course had in a measure become rather obnoxious and a great many times at an unreasonable expense examinations had been made, not so much evidently for the sake of securing information for the departments or information for the public, as for the purpose of securing some employment for a favorite son. The action of the convention at that time rather decried that idea and the plan was adopted and the Examination Committee created for the sake of having some uniform system used in bringing about these joint examinations. Some of us who are supervising officials in States having quite a number of companies have been more or less embarrassed by a situation which had recently grown up whereby certain States evidently believing they had the right under the law (and undoubtedly they had) had broken away from this rule somewhat and are now asking and demanding examinations in States sometimes when perhaps an examination had just been completed a month or two before by the department itself and in some instances by two States.

We have found some fault with that idea. We think that there should be some notice given to the home company that we may have their man there to assist in that examination. We do not complain at all about any examination, we welcome those examinations but it seems to me there should be some little idea used and some propriety displayed in that credit should be given to the State making the examinations and that the company should not be burdened to any unreasonable extent in the course of the examination.

On the part of Iowa I want to emphasize the demands made by the Committee on Examinations that these joint examinations unless made at the request of the State itself, be conducted on behalf or through the Committee on Examinations. I think that idea should be cultivated and that we should have more harmonious work among the different States.

I am glad of the opportunity to present our ideas in this matter particularly in regard to the Woodmen of the World to have it impressed upon this convention that the States represented in that examination had been so unfair. I don't want to say all that I think in regard to the matter any more than to express this thought that in all probability if there had not been some real effort made by the States represented in that examination to save the society much embarrassment, much trouble and a large membership, I am inclined to

think that there might have been more or less trouble grown out of the examination that would not be at all complimentary to the company itself.

Mr. McSwain: Mr. President and Gentlemen: I am just going to say a word with respect to this examination in so far as South Carolina is concerned. I regret exceedingly that I was not present when this speech that is referred to here was made so that I might have had an opportunity to get at first hand the real meaning of the references made to this examination. By way of explanation and so far as my information goes, this examination was along the regular proceedings of examinations of this character, it was made under the auspices or direction of the proper committee of the Convention of Insurance Commisisoners.

The Woodmen of the World have a very large membership in the small State of South Carolina. Ever since I have had the honor to supervise insurance matters in that State, I have had a great many inquiries as to the financial status of this Society. When the opportunity presented itself to participate in this examination, I welcomed it for the reason that it would give me the opportunity to get first hand information to disseminate to the members of that fraternity in the State.

I suppose that the reference to the young man is meant for South Carolina. The representative from the South Carolina department got his training in actuarial science in the University of Michigan. I believe if he were here and could present himself to this convention that any reference to his boyishness would be entirely dissipated. I might say this for him; that he is a brother of and possibly two or three years the junior of the actuary of the great State of New York. They are an actuarial family, they know the business. This was not an experiment with him because he had had experience in this particular class of work before and I am willing to place his work in this connection before the eyes of this convention at any time. I am only sorry that he is not here. If I had had the slightest intimation that such a charge would be brought against his ability, I certainly would have had him here to speak in my place at this time.

Now, with reference to the first statement I made to get first hand information as a result of this examination, it has enabled me to be of assistance, if such is the case, to the management of this society in keeping down this insurgent element that he refers to. I have been able and I have tried so far as it was within my power, to use this examination to be of assistance to the organization in straightening out its troubles in our State.

With this brief explanation I leave the situation with you. If there is any question of integrity or charge that is unreasonable in connection with this, the files of the department of South Carolina are open to the inspection of the entire world, come and see them.

Mr. Hart: Mr. President, Missouri hasn't very much to say

about this proposition. In the first place I want to endorse everything that Col. Travis and Senator Savage and Mr. McSwain have said in reference to this question. I believe that in my State was at least a part of the beginning of the trouble which brought about this examination. We had in Missouri what is known as a big insurgent movement against the action of the management of the Woodmen of the World. They applied to our department in great numbers demanding that the Superintendent of Insurance of Missouri exercise his rights under the law and proceed at once to examine the society. Believing as I do that these matters should be taken care of by the entire country and under the supervision, if possible, of the Examination Committee of this Convention, I communicated this information to Col. Young, the Chairman of the Examination Committee. I said to the Insurgents, "While we have authority in Missouri to examine any insurance company or Fraternal Society, that is doing business in our State, I shall not proceed to the examination until it is set by the Chairman of the Examination Committee."

This matter was up for six or eight months, gentlemen, before the examination was begun, and finally Col. Young selected the States that should make the examinations and in that selection, was Missouri.

I sent no boys on the examination. I sent one of the best examiners that Missouri has to do work of that kind, a man who is as old as Col. Brown and has just as beautiful whiskers as my old friend. (Laughter). I sent a man who the attorney of the Woodmen of the World, Mr. Bradshaw, the President of the Woodmen of the World Mr. Frazier, and Col. Price of the Woodmen Circle, said to me personally was one of the best examiners that they had ever had anything to do with. So I am not in the same position that my friend McSwain is and therefore did not take to heart the proposition that boys were sent on the examination. And undoubtedly Mr. Farrington who represented Missouri, was very satisfactory to Mr. Frazier, the President of that Society.

Why he made these remarks the other day, I am unable to comprehend. The insurgent movement all over the United States was giving him trouble and he knew it. I talked to him before any man went from any State to examine his society, and he told me then that they had been stealing things out of his files and now he comes and accuses members of that Examination Board of taking things from the files of his Society. The fact of the business is that the insurgent movement of this society knew a great many things about how they had carried on in that Society long before, Mr. President, the examination was made.

I am not taking his charges seriously, because after the examination I have been able through the department in my State to allay a great deal of the trouble that existed before the examination. I think Frazier got off on the wrong foot when he made the statement the other morning and I believe, being a big business man as he

claims to be, that he will at some future time say so and say that he meant to cast no aspersions upon the examining board.

Mr. Travis: I want my examiner who found the leak of \$33,000 to tell you some other things. Major Herndon.

Major Herndon: Mr. Speekman who participated in the examination can probably tell you better than I can (because he was over in the actuarial department) about the real actuarial end of it and the party referred to by the gentlemen from South Carolina.

When I first discovered the discrepancy in this printing item, I went over to their print shop to find out their system, and I found the only record was a very small five cent note book, and I said to the examiner from Nebraska who was at that time with me that we had better have the foreman of this department make a written statement because that book could get lost. After we had prepared our schedule or statement of the overcharge that we found there, I went to the auditor in fairness to the Society and asked him to go over the matter with me, and he gave us his expert accountant and I insisted upon adding to this bill five per cent interest for the time they had actually had the money and we checked her figures to know that we were correct. I was then told that the reason for this discrepancy was because of a great insurgency that they had had in Texas, and that they had purchased magazines that they did not want to show on their records, and for that reason they had covered it this way, but in each instance, the bill had been raised after it had been approved by the foreman of the shop.

I suggested then that they give me the record of the points to which these magazines had been shipped and advised them to be careful because I would not accept an express receipt nor the word of anybody in the town of Omaha, that I proposed to get on a railroad train and go and get the final delivery receipt in every city in the United States in which they claimed they had sent these magazines.

They immediately changed the story and shipped no magazines. We found one of the heads of one of their departments was going over to tell the printing company about it. We saw that we were going to be blocked there. While he was over we brought his office force up and took, not depositions but stenographic statements from them in order that we could clear the situation. The next morning I was to be allowed to inspect the books of the printing company, which one of the Commissioners, Mr. Young, of Nebraska, who was in charge of the examination, told me I had no right to do. They had very kindly consented to allow us to see their books. The next morning when we appeared the young lady told us that they had been destroyed, and all she had were these books and she handed us some books which we refused to look at because from all appearance they had been made during the night.

Now we get down to the point of how the information got out. Mr. Frazier had a new photostat machine, and I wanted to see just how it would work on the check that I got back, and I had many

copies may, probably twenty all told, for the benefit of the committee. Mr. Frazier has in his office, or at least he thought he had, information on members of the insurgency because he employed a field detective force at great expense to follow them around and see where they spent their evenings, etc., which was probably all right. The result was that I had these copies made. Others might have been made at the same time.

The breaking into his files is absolutely not true. He went away on a fishing trip. We called for files and we received them and read them, and where we thought that our Commissioner might like to see them rather than making copies we simply made pictures. They objected seriously to the things that we said in our report, and for fear some of us might have been prejudiced I was one of the first to suggest, I believe with Mr. Speekman, that if they did not approve of this report to call our Commissioners in. I was sent down to make a report, I was reporting to my Commissioner, and he could throw the damn thing in the waste-basket. It did not interest me at all.

Mr. Bullion: I have been mixed up in public life in my State for about twelve years, and I have been called a thief and a grafter so much that a small matter like this goes entirely over my head. My examiner is here who was on this examination, and I never have asked if he stole anything. I would like to ask him now. Did you steal anything down there?

Examiner: (State of Arkansas) No. (Laughter).

Mr. Bullion: I believe Arkansas has made its case then. (Laughter).

Col. Henry: It was not my good fortune to be present the other day when my good friend Frazier (I am convinced from what I have heard today) evidently lost his head and overspoke himself.

So far as I am concerned, I don't think I have been charged with doing anything very bad, but lest somebody might infer that I possibly would be charged with that, I just want to plead not guilty. (Laughter). It has been the fortune or the misfortune of this department to be invited to participate in very few examinations, and when I was invited to come down to Nebraska and take part in the examinations of the Woodmen of the World by Mr. Young, I was very much astonished, I was so much astonished in fact that I accepted the invitation in New York where it was extended before he could get home and withdraw it. (Laughter). I had one examiner and I went to a good deal of trouble to get him. He is not a boy at all. He is thirty-seven years old. He happens to be my son, and I believe he is almost as honest as his father. He was there. I presume he worked when it was necessary. I don't suppose he did unless it was. I told him not to. Seriously gentlemen, after this matter got into what I presume was thought rather an unfortunate condition, the examiners very properly after conference with the company or the society, requested a conference of the Insur-

ance Commissioners. I went as did all the other Commissioners on this examination, except I believe the gentlemen from South Carolina who was detained at home. We gave them a very dispassionate and very fair hearing, as I understand the meaning of those two terms. We found some things that did not appeal to us, some things that were irregular, some things that might have been very seriously criticized. We were not there for that purpose, we were not there to tear that society up by the roots and lay it out in the sunshine to bake. We were there to render it, having also our official duties in mind, all the assistance we could.

So far as I am concerned, I want to say that that was my motive, and I believe that the results of that examination will show that that motive was fully carried out. It is not necessary to go into detail about various things that occurred. They have been correctly stated, and if there was any irregularity, any squandering of money unnecessarily, what I want to say to the gentlemen that it was done by the others and not by me. (Laughter).

Col. Young: If an apology is due for bringing this matter up I want to make it. I am rather afraid we may be put in a position of giving undue prominence to this matter. When the examination was made two or three years ago, the gentleman came to my office all the way down to Raleigh, to read the riot act to me. We settled the matter there. We did not have any further trouble about that. But when he comes here before the convention and makes a charge as he did I just felt that it was nothing but fair that these men should have a chance to correct the matter. I have no apologies to make. The examinations by the Committee are what you want. They are what the Commissioners need, what the Societies need, and it is a much better plan than any other way that I have ever been able to think. I don't think we ought to give any more prominence to it.

The President: Anything further to come before the Convention at this time. Two committees desire to confer, and I think that we had better adjourn.

Mr. Whitman: I move that we recess until eight o'clock.

The motion was seconded.

ADJOURNMENT.

WEDNESDAY NIGHT SESSION.

President Ellsworth presiding.

The President: The convention will come to order please. What is your pleasure?

Mr. Whitman: The Committee on Workmen's Compensation has a report to make. Our hearing was had in which Mr. Hardison, of Massachusetts, appeared and asked that a uniform bill be recommended for passage among those States which did or have not Work-

men's Compensation Laws already on their statute books. Now it is possible that this should have gone to the Committee on Laws and Legislation, but we have recommended it and I make the report.

The Committee on Workmen's Compensation of this Convention, recommends the passage of the bill (copy of which is quoted below) for the supervision and regulation of Workmen's Compensation Insurance in all such States as have not now regulatory legislation upon that subject.

"A BILL for the supervision and the regulation of rates for Workmen's Compensation Insurance.

"Section 1. Be it enacted, etc. Every insurance company, corporation or association or other insurer, herein called 'insurer' which insures employers against liability for compensation under the Workmen's Compensation Act shall file with the commissioner of insurance, herein called 'commissioner', its classification of risks and premium rates, together with basis rates and schedule or merit ratings, if a system of schedule or merit rating be in use, none of which shall take effect until the commissioner shall have approved the same as adequate for risks to which they respectively apply. The commissioner may withdraw his approval of any premium rate or schedule made by any insurer if, in his judgment, such premium rate or schedule is inadequate to provide for the obligations assumed by the insurer.

"On and after first, One Thousand Nine Hundred and, no such insurer shall issue, renew, or carry any insurance against liability under the Workmen's Compensation Act at premium rates which are less than those approved by the commissioner for such carrier as adequate for the risks to which they respectively apply; **Provided**, that if the commissioner shall have previously approved a system of schedule or merit rating, filed with him by any insurer, the same may be applied to risks subject thereto only by a regional rating bureau approved by the commissioner for the uniform and impartial application thereof. The adjusted rate arrived at by any reduction or increase from the basis rate filed with and approved by the commissioner, in the application of such system of schedule or merit rating, shall be clearly set forth in the insurance contracts or in the indorsements attached thereto.

"Any insurer violating the provisions of this act shall be subject to a fine of Five Hundred (\$500) Dollars for the first offense and for a subsequent offense to such fine and/or a suspension or revocation of its license by the commissioner."

Now that of course applies to States which have not already a similar law to that, and as I understand it, it follows pretty closely the laws in force in those States having regulatory legislation on that subject, and I move that the report be adopted.

The motion was seconded by Mr. Young.

The President: You have heard the motion. Those in favor manifest by saying "Aye." The motion prevails.

Mr. Whitman: The Special Committee appointed to draft a uniform reciprocal law has not had very smooth sailing. In fact, each of us has had his own idea as to what that law should be, so that at this time we are not in agreement. We have felt, however, that if we had had a little more time at this convention we could have arrived at some uniform legislation, but the majority of the committee have felt that it would not be advisable at this late date to attempt to pass recommendation on a uniform law, but ask that the com-

mittee be allowed to hold over, and we will later at the April Meeting or some meeting later recommend something for the convention to consider.

Mr. Button: I would like to know from the Commissioner from Wisconsin how many different bills were presented for the consideration of that committee?

Mr. Whitman: I think there are six members of the committee and there were six bills. We had three regular bills and we had some that were made up after we got here. We have had a number of bills that we did not quite come to an agreement on.

Mr. Button: I just want to say that if you have not enough before your committee for consideration that I would like to offer the Virginia Law as still another bill to be considered by your Committee. (Laughter).

Mr. Whitman: It will be received.

Mr. Harty: You are willing to report progress on this?

Mr. Whitman: It is usual to report progress so I shall so report.

Col. Young: I move that the Committee be continued.

The motion was seconded and carried.

Mr. Phillips: A report from the Executive Committee after due consideration of the question of selecting a place for the Spring and Annual Meetings the Committee reports that it has unanimously selected Louisville, Kentucky, as the place for the Annual Convention, and in case the Executive Committee decides to hold a Spring Meeting that such Meeting be held at New Orleans, La.

The President: You have heard the report of the Chairman of the Executive Committee. Those in favor of accepting this report will say "Aye." Motion prevails.

Mr. Harty: There is no report from the Fraternal Committee there in your hands?

The President: I am afraid not. Is Commissioner Savage in the room?

Mr. Phillip: Mr. President, I asked Mr. Savage whether he intended to hold a meeting of the Fraternal Committee and do anything on that bill and he said not, that they were going to hold another meeting in February and at that time the matter would be finally decided. It is unfortunate that no recommendation is made prior to that time if anything is to be done for the reason that I think the legislatures of all the States have a session this year—nearly all. That is what Mr. Savage told me before he left the room.

The President: Any further remarks gentlemen? Is there anything further to come before the convention.

A motion was made and seconded that the meeting adjourn.

ADJOURNMENT.

PROCEEDINGS

FIRST DAY

TUESDAY MORNING SESSION

The first session of the National Convention of Insurance Commissioners convened at 10:30 o'clock, Tuesday morning, September 27th, at the Seelbach Hotel, Louisville, Ky., President Alfred L. Harty presiding.

President Harty: The Convention will please come to order.

The President will make very few remarks in the beginning. I am indeed glad to be here and able to preside at least at this meeting in the beautiful city of Louisville.

The first on the program this morning will be a song service led by Mr. James.

Mr. James led in the singing of "My Old Kentucky Home."

The next matter on the program is the address of welcome by the Governor of the State of Kentucky. We are very glad indeed to be honored by the Governor of Kentucky, and I take great pleasure in presenting to you Governor Morrow, of the State of Kentucky. (Applause.)

Governor E. P. Morrow: Mr. President, ladies and gentlemen: I believe that the heart of Kentucky is a hospitable heart. I believe that the hands of Kentucky are friendly hands. I believe that the soul of Kentucky is a generous soul, and this morning on behalf of Kentucky it gives me great pleasure to extend to you the soul and the heart and the hand of Kentucky in the most cordial and gracious manner. (Applause.)

I am delighted to welcome this National Convention of Insurance Commissioners, and those who have come to be associated with them in this most important meeting: I believe in insurance because I believe in the law that love fills the heart of humanity, and at last insurance is the highest expression common to almost all of our people of the love of wife, home and friend and children. It is the one great demonstration, but human love goes beyond the narrow veil of our own immediate selfishness and extends its canopy over those who are left behind. I believe in fire insurance because I had rather trust a fire insurance policy than a lightning rod. I believe in accident insurance because I would rather trust an accident insurance policy than to knock on wood to keep the jinks away. I believe in insurance as a science rather than superstition as a folly, and so today I am glad to welcome these Commissioners—the members of great insurance companies and their representatives who are here—because in all the branches of insur-

ance you are doing a great work for the benefit of the republic and the good of its people.

We want you while you are here to feel welcome, to be at home. Kentucky, while not the richest state in all the Union, is not the poorest; while she is not the greatest, yet she is not the smallest, but for flocks and herds, for fields and sky, for men and for women, it is the best land this side of heaven that the good God ever made. (Applause.) I do not disparage the beauty and greatness of the states from which you come, I recognize the splendor of the great empire state, I recognize the great state of Ohio which gives us presidents and today controls the patronage and hands out the jobs. (Laughter.) I know that all of our friends from the East make all of their money by selling all of us down here everything we have, and while I am glad to do that, yet I must talk a little about my own state. I know that you have fair fields in the Southland; I know that in California you have nothing but climate and climate and climate, the finest in the world, and over all the country it is fair and beautiful. The good God did a splendid job when he made America. He rested after he had made the world, but he smiled when he made Kentucky (laughter and applause), and I want to say to you the latch-string on the old Kentucky home hangs always on the outside. You have but to reach up your hand, pull the door open, come in, set your feet under the table and be at home.

We want you to feel while you are here that the confines of the state are open to you. Travel a little down through the blue-grass while you are here, see the rolling fields where the cattle stand knee deep in the blue-grass, see the stock farms where the thorough-breds are born, see "Man o' War," the greatest in his class, travel through Western Kentucky, if you will, and see their fertile fields, move down to the historic old county, the old Kentucky home, the estate of Federal Hill, where Stephen Foster wrote that song which has become the universal song of all, blending in its melody the mysteries of moonlight, sunrise and twilight, the light of hearth-stone fires, faces of those that you adore and visions of the loved and lost, and heart-strings have ever wondered in that deathless melody of "My Old Kentucky Home."

We want you while you are here to feel that you are one of us; we are very proud and we are very happy to have you with us. We want you, if you will, to feel very much like a gentleman told me that his father once expressed a feeling. The gentleman told me that when he was quite a boy his family lived in Northern Ohio, in the early days of moving by wagon, etc., and they were getting ready to start for Kentucky. The night before they started the man said, being a very small boy, he got down on his knees to say his prayer, and at the end of his prayer he said, "Good-bye God, I'm going to Kentucky," and the mother reproved him, saying, "My son, why do you say such things as that?" The father said,

"Now, mother, don't, you misunderstood the boy." What the boy really said was, "Good, by God I'm going to Kentucky." (Laughter.) So we hope you will feel that way.

Let me, on behalf of the Insurance Commissioner of Kentucky, bid you welcome. Let me, on behalf of the insurance men in the city of Louisville and other cities of Kentucky, bid you welcome. Let me, on behalf of the commonwealth which feels honored today that you are in our midst, bid you welcome, and let me hope that the deliberations of this gathering will be altogether for the good of a great business, for its stability, its progress, its development, all to the end that men, women and children, homes and firesides beneath the common flag of our great country shall have been better because you have been here today.

I thank you. (Applause.)

The President: The next on the program will be the response for this Convention, delivered by our First Vice-President. Every one knows who has been traveling both East and West to these conventions that this gentleman who is now our First Vice-President, always has some fine witty stories, and I hope on this occasion that he will be able to respond in the humor in which we have been welcomed.

I take great pleasure in presenting to you Mr. Thos. B. Donaldson, of Pennsylvania. (Applause.)

Commissioner Donaldson: Your Excellency, Governor Morrow, ladies and gentlemen of the Convention and Guests: One may congratulate himself or herself to be welcomed within the purlieus of Kentucky, vigorous in history, energetic in accomplishment, memorable in graciousness and ever openhearted. In my youthful days a reading of Kentucky meant the "dark and bloody ground," and Daniel Boone; and unless an Indian was killed every day my fiction lacked virility. Today, I know and accept your commonwealth as a monument of American pioneer progress and 1921 achievement. Your steady diet is creative work. The condiments for the meal are blue grass, colonels and alluring women. By profession I am a bachelor; and I, therefore, pay tribute to the fair sex by the very fact that blandishments of the respective all have denied me the decision to select one.

Today we meet from all sections of the country and lest laymen may not understand, it is but fair to say, that this Convention, by its very structure, is dominantly powerful and decidedly useful. Insurance runs the gamut of the world's trend. As it advances, commerce advances. As it falters, commerce falters. Insurance makes history; and in explanation, not in vain flaunting, I beg leave to emphasize that without the indefatigable services, under exhaustive and irritating circumstances, of the majority of our insurance departments and their sincere officials, insurance in America would totter in chaos. There is not a single channel of

business which is so much an integral part, so indissolubly allied with your individual lives and your deaths as the omnipresent, trenchant, immediately applied business of insurance. You will hear, during this congress, papers contributed and papers discussed. You should know that the real activity of this convention is not in annual conclave. It is activity all-the-year-around. You will realize some day, if not now, that the aim of this convention is to keep clean this great business, insurance. Yet not for the sake of one state, or a group of states, or for department purposes, but so that the public, nationally and internationally, shall be served and served well.

One learns to know the other man, not by mere letter or the printed word. One learns his neighbor by contact and communion. Though this meeting is basically technical, the human side of insurance, is the greatest exponent of the human side—hovers above all. It is a fine thing for the village Hampden of California to grasp hand of friendship with the Hampden of Kentucky. We meet too seldom. Life, no matter how long, is short at longest; and today is yesterday's tomorrow. Some one said that life defeats us all. Undoubtedly, but there is real enjoyment in fellowship before defeat comes. The work of the world requires twenty-four hours of daily activity. Life may not be all honey-sweet and isles of leisure, yet as the clock turns one may do a good deed and earn a friend.

State lines incurred the Civil War. Today we realize the absurdity of unnatural boundaries; for the advances and the heart of humanity never yet faltered at seemingly impassable limits.

I beg leave to offer to your Excellency on behalf of my esteemed fellow commissioners our appreciation of your official greeting, and to convey to you that each of us, for his commonwealth or his state, would be most happy for opportunity to greet you and yours of Old Kentucky within our own home boundaries.

The greatest troubadour this country ever produced was Stephen Collins Foster. No lyrics, no melodies, in their plaintive, perpetual appeal have encompassed all hearts as have his; and it seems that his genius lay dormant until somehow the melodic and romantic tang of the word "Kentucky" and Kentucky environs stirred the muse to procreations which will live the ages. And "Kentucky" stirs us, the layman. Why, we do not know, nor can we adequately describe. It is the enjoyment of the intangible, all the more enjoyable because undefined. It is perhaps the mystery of the romance of fellowship, and in closing, let me say:

When Kentucky deigns to greet you
With that hearty, "Glad to meet you!"
Then Kentucky nights join with Kentucky days.
When her hand of friendship binds us
To the years that are behind us,
Oh! we're lucky just to know Kentucky ways!

The President: The next order of business, ladies and gentlemen, is the call of states.

I believe I will have Mr. Stanley Reed make some announcements about the entertainments at this time, and then we will proceed to call the states.

Mr. Reed announced the entertainment features for the afternoon and evening as given in the program.

We will now have the call of states.

The Secretary called the roll of states, and the following states were represented:

Alabama—A. W. Briscoe, Commissioner of Insurance.

Arkansas—B. T. Bullion, Insurance Commissioner.

Colorado—Earl Wilson, Commissioner of Insurance; W. W. Scott, Examiner.

Connecticut—Burton Mansfield, Insurance Commissioner; Thos. F. Tarbell, Actuary.

District of Columbia—C. C. Wright, Deputy Superintendent of Insurance.

Florida—J. C. Luning, State Treasurer and ex-officio Insurance Commissioner.

Idaho—Howard J. Brace, Director of Insurance.

Illinois—T. J. Houston, Superintendent of Insurance; J. F. Williams, Actuary.

Indiana—T. S. McMurray, Jr., Commissioner of Insurance.

Iowa—A. C. Savage, Commissioner of Insurance.

Kansas—Inez Shepard, Assistant Superintendent of Insurance.

Kentucky—Jas. F. Ramey, Insurance Commissioner; Manon Corbett, Deputy.

Maryland—Thos. J. Keating, Insurance Commissioner; Wilson L. Coudon, Deputy Insurance Commissioner.

Massachusetts—C. W. Hobbs, Insurance Commissioner.

Michigan—L. T. Hands, Commissioner of Insurance; R. A. Palmer, Deputy Commissioner.

Minnesota—Gustaf Lindquist, Commissioner of Insurance.

Mississippi—T. M. Henry, Insurance Commissioner.

Missouri—A. L. Harty, Superintendent of Insurance; Joshua Barbce, Deputy; R. A. Daly, Actuary.

Nebraska—W. B. Young, Insurance Commissioner.

New Hampshire—Jno. J. Donahue, Insurance Commissioner.

New Jersey—C. A. Gough, Assistant Deputy Commissioner of Banking and Insurance.

New Mexico—P. M. Lieneau, Deputy Superintendent of Insurance.

New York—J. S. Phillips, Superintendent of Insurance; H. D. Appleton, Deputy Superintendent.

North Carolina—Stacey W. Wade, Insurance Commissioner.

North Dakota—A. R. Aslakson, Deputy Commissioner of Insurance.

Ohio—B. W. Gearhart, Superintendent of Insurance; W. A. Robinson, Actuary.

Oklahoma—J. Bart Foster, Secretary Insurance Board.

Pennsylvania—T. B. Donaldson, Insurance Commissioner; Samuel W. McCulloch, Deputy.

Rhode Island—P. H. Wilbour, Insurance Commissioner; R. B. Burlingame, Deputy.

South Carolina—John J. McMahan, Insurance Commissioner.

South Dakota—W. N. Van Camp, Insurance Commissioner.

Tennessee—E. N. Rogers, Commissioner of Insurance; C. M. Joseph, Examiner.

Utah—John W. Walker, Commissioner of Insurance.

Vermont—Joseph G. Brown, Insurance Commissioner.

Virginia—Joseph Button, Commissioner of Insurance; Chas. B. Coulbourn, Actuary.

Washington—H. O. Fishback, Insurance Commissioner.

West Virginia—W. E. White, Deputy Commissioner of Insurance.

Wisconsin—Platt Whitman, Commissioner of Insurance.

The President: Ladies and gentlemen, we seem to have thirty-eight states represented, or three-fourths. I believe this is equal to any convention we have had in the last four years. We are starting out very auspiciously, and I hope that the rain is gone and the balance of the week will be very pleasant for you.

Gentlemen, I had hoped to feel better at this Convention because it is the first and last time I will be able to deliver at least a presidential address. My Deputy wanted to read this address himself for fear that it might make me sick, but I am going to try to stagger through it, and I hope you will bear with me. I had some little, funny anecdotes that I expected to bring in, but, feeling like I do, I will just read the manuscript as it is written, hoping that I will get through without too much fatigue.

PRESIDENT'S ADDRESS

Gentlemen of the Convention:

The President of this Association has from time to time delivered an annual address at this meeting of the convention, a custom which in my mind was well founded, and should be perpetually continued.

The Fifty-second Annual Convention of the Insurance Commissioners of the United States has begun very auspiciously, and I trust its deliberations and its conclusions may be both wise and beneficial.

I fully realize at this time that it has fallen to my lot to complete the work that another has so ably begun. It always requires fortitude to hold aloft a banner that another has been compelled to lay down. I regard it as a misfortune, and I know that you have the same feeling, that the Honorable Frank H. Ellsworth, former Insurance Commissioner of the State of Michigan, who a year ago was elected President of this Convention, did not deem it wise to continue in office in his home state so he might preside over the deliberations of this Convention and deliver to you on this occasion whatever thoughts which might be in his mind for your consideration and edification. His work during the first half of the year since we met, was marked with ability and skill, and his efforts to build up the work of this Association and co-operate with the insurance interests of this country were worthy of a representative of that great state and an honor to this body. Therefore, I feel in attempting to complete the work which he started, I have assumed a task not easily performed, and I only trust that the affairs of this Association have not too greatly suffered because of the change of the supervision of this organization from his hands into mine.

It shall not be my province or pleasure to indulge at this time in any technical discussion of any branch or phase of insurance, but I will endeavor to call to mind only a few of the many things which affect both the insurance departments of the states and the insurance business generally.

In preface to these remarks, permit me to say that I think we are all to be congratulated upon being permitted to hold our convention in the historic city of Louisville and in the good old commonwealth of Kentucky, whose fame and reputation for hospitality have spread both far and wide and whose location is in the very heart and center of the great nation we collectively represent.

Year before last it was my pleasure to attend a meeting of this convention in the city of Hartford, Conn., which is located on the eastern border of our country; and there we all felt that we were assembled in a city famous for its insurance companies.

Last year our steps were turned in the opposite direction, and we conducted our deliberations on the Pacific Coast in the sunny climate of Southern California. But, this year it has been deemed wise to meet in this place and under these most favorable surroundings. I am glad so many departments of the country are here represented, and I assure you that if your experience has been similar to mine—and to those who may be attending for the first time, I feel safe in saying your experience will be the same as mine—when I say that the attendance upon these conventions has been of inestimable value to me in handling the problems which have arisen in the department of my home state, and the general knowledge of insurance matters is more easily and accurately obtained by giving attention to the discussions and conversations of the National Convention, than any other source, or, I might say, all other sources combined. It will not be necessary for me to recount the many benefits which our convention has brought to the insurance departments of the various states, because they are too great and too many, and also they are too well known by each one of you.

My term as Insurance Commissioner of my own state has been rather short, and the close of this convention terminates my term of office as Insurance Commissioner. But, the friends that I have made amongst you and the information and benefit I have received from these associations are more than I have words to express.

The problem which we, as heads of departments, have to settle, as well as the difficulties arising with insurance companies and societies, are always plentiful and our experience during the last year has not been any exception to this general rule.

Every kind of business of which I have any knowledge, has suffered to some extent the last year on account of the depressed condition of the affairs of our country. We are now, and have been, passing through a reconstruction period, following the great war, which necessarily, according to the records of history, brings about a condition similar to the one through which we are now passing, although possibly not so severe. When all business is being depressed and money

is hard to obtain for any kind of an enterprise, the insurance business necessarily must share to some extent at least in the general condition, and doubtless you men well know that this has been the case.

It is my belief, and I think we all have reason to believe, that this condition will not continue, and that the great business of insurance which is the greatest business of our country, is yet in its incipency, and there is in store for this particular endeavor a great and wonderful future. I am of the opinion that the insurance department of each state has more to do with affairs outside of its state than any other state department. Insurance companies are not confined to their operations in the state in which they are organized, and they should not be so confined; therefore, our departments are dealing with and are permitting the insurance business of each of our states to be carried on not only by the companies of our own states, but by the companies of all the states in the Union. This one fact alone, if there were no other, would bind our deliberations with a common tie which would not exist in any convention of state departments representing any other kind of business in any of our commonwealths.

It is not the purpose of the President of this convention to specifically endorse or propound any new principles which will redound to the welfare of the citizens of this country. On the other hand, the life of the President of this convention has been rooted and grounded upon only one basic principle, and that is safe business for those who may have money or time invested, and above all, a safe business for the citizenship of this country.

The first thought in the mind of the President of this convention is how much effort and how much actually accrued surplus or knowledge is given to that part of a man's endeavor to build up an insurance company. I take it that some men invest capital and some invest energy, and when these two ingredients meet, they are bound to converge into one given idea, and that is success. And, if we have success in any line of endeavor—it may be necessary to use capital, but if not capital, energy and ability must be brought forward, and while it may be true that great companies have been built up in this country in the past on capital alone, the time has arrived when capital can be exhausted in a very short time, unless both ability and energy have been used in conjunction therewith in the transaction of all our business, regardless of what line it may be.

In dealing with the subject of insurance, we must take into consideration that it is national and international in its scope, and cannot possibly be handled even in the same manner that the great banking institutions of this country are handled and be governed solely by state laws.

While I do not believe in any kind of federal operation of any kind of business, I realize that in dealing with this question of insurance, we must take into consideration the laws of all of the states of the Union, and whatever authority the United States Government may have in connection with our authority as a government to outline a policy and put into effect laws which will be of material benefit to the entire citizenship as a whole.

In the many states of this Union there is a condition of such diversified laws that I am forced to the conclusion that we should have more uniform laws in all of the states governing insurance, and that as soon as possible, as far as the general lines of insurance are concerned, it should be the purpose of this convention and the purpose of every supervising official to work in harmony with his brother commissioners to have such laws enacted which will place the business upon a uniform basis, as far as practicable, in every state.

The life insurance companies of this country, as well as the fire insurance companies, have been standardized, and it is the opinion of the speaker that more lines of insurance should also be standardized, and if it is impossible to bring such standards to these lines of insurance by rulings of the commissioners or by action of this convention, or the laws of the states, then it is my opinion that the subject should be discussed earnestly by this convention, and eventually a program adopted which will carry into every state the final conclusions of your deliberations.

Life Insurance.

During my term of office as Superintendent of Insurance, the life insurance

companies of this country have had a varied and unusual experience. The fact that the government of the United States recognized the value of life insurance, and established a department of war risk insurance, gave this particular line an impetus that neither the departments nor the companies were able to do, no matter how much they might have talked or advertised.

In the midst of their growth and popularity with the public, an epidemic of influenza swept not only this country, but the world, which brought very unusual and very alarming losses to the life companies, and I am proud to say that under the careful management of the officials and with the sympathetic aid of the departments, they successfully passed the storm. Yet, with this excessive loss, there came an unprecedented increase in the life insurance business, and even the companies themselves were surprised at their own popularity and the ease with which the agents were able to secure life insurance policies seemed unparalleled, and a vast amount of new insurance was placed upon the books of both ordinary and industrial business.

Within the last year, however, on account of the depression in business affairs which has affected every source of income, there naturally has been a telling effect upon this line of business. From the best information I can obtain, I do not think there is any doubt but what there has been a considerable falling off in new business written, and there have been also many terminations of policies from other causes than death and maturity. Probably there have not been so many terminations in the industrial line from these causes, as there have been in the ordinary policies, which probably is due to the fact that many of the industrial people are still receiving high wages and are continuing to apply for industrial insurance, and at the same time the lapse rate has increased considerably, because so many industrial people are temporarily out of work. The lapses that have been caused on account of the general business depression of the country is impossible for me to state accurately, because every company's experience has been somewhat different, and it would be a very difficult task to compile the statistics of each company, but I have received sufficient information from a sufficient number to convince me that their lapses on account of this general depression have been very heavy indeed.

Nevertheless, the great business of life insurance has met its trials and has paid its losses, and I predict that the coming decade will show developments, and that the smaller companies will make a more rapid growth in the same length of time than the older companies have done in the same length of time in the past.

The total amount of premiums paid for insurance by the citizens of the state which I have the honor to represent during the last year has been more than one hundred million dollars, and almost one-half of this amount has been paid to life insurance organizations.

Fire Insurance.

The control of rates in the branch of fire insurance has long been sought by the companies and finally met with the approval of most of the states. Prior to that time there were controversies over rates and unsatisfactory laws passed regulating the same. I am of the opinion that the insurance departments are the proper ones to have the final determination of what the rates should be.

This kind of rating has never been sought by life insurance companies or from the premium payer of life insurance policies, but it does seem, and has seemed for a number of years, that with the fire companies no such rate-making scheme has been so satisfactory as that of the departments having power to say what the rates shall be.

Since I have been Superintendent of Insurance of Missouri, there have been some controversies between the department and the companies, and doubtless in the future serious and important controversies will arise, but those which have arisen and have come under my observation and experiences have been settled satisfactorily after free and full discussion, and I believe those discussions have brought about a more perfect understanding between the departments and the companies.

I believe that a uniform rating law should exist in every state, although it may be possible that the rates could be satisfactorily adjusted and controversies amicably determined without stringent requirements of law. It has been my policy to endeavor to give a fair interpretation of the laws passed by the legislature, and although in some instances it has been necessary to resort to litigation, I am pleased to know, and it has been a satisfaction to my mind to realize, that the courts of last resort have decided that my interpretation and rulings were correct.

I think it wise at this time to suggest to the great fire insurance companies that they continue in the future as they have endeavored to do in the last two years, and that is to give to the department, freely and, if necessary, without the authority of the law, all the information which they have at their hands.

This class of insurance also has felt the pinch of our industrial depression. The advance of prices during the war along every line gave an increased value to all buildings and commodities, and now that values are being deflated, it follows that less fire insurance is needed, and the necessary increase of expenses during that period makes the companies feel the reduction.

The companies have not only suffered a shrinkage of premiums within the last year, but it is probably true that expenses have not been reduced in a similar proportion. Naturally, as the prices of commodities and merchandise are reduced, a merchant will also reduce the amount of insurance carried and insurance on property, such as buildings, which very often is carried for a period of years, may in some instances now be over-insured, if the policy was written while values were at their height.

When property values were high and sales on merchandise were profitable, the owners of these properties naturally took greater precaution to prevent fire and to safeguard the same against all hazards, but, when property decreases in value and the returns are not so profitable, I fear that some of the precaution that a great many people heretofore used will be neglected.

The prevention of fire is a thing about which the companies have endeavored to educate the public, and the public is yet very ignorant as to their duties and responsibilities for the prevention of this destructive element, and if they can be taught to prevent the fires, the companies will greatly benefit, and the public will receive a greater benefit than the companies.

Casualty Insurance.

I desire to discuss under the topic of casualty insurance principally two branches that are embraced under this broad subject. The first is health and accident insurance and the second is automobile insurance.

It appears from my experience and from matters which have passed through the Department over which I have supervision—and that is the source from which I must obtain most of my experience for it is impossible for me to know what other Departments have to contend with, except as I may obtain the same either by conversation or correspondence with the other Departments—that there are entirely too many kinds of policies issued by the many kinds of companies writing health and accident insurance.

Upon examination of what might be called the standard form of Health and Accident Insurance Policies, I am of the opinion that no ordinary layman can arrive at an accurate conclusion as to what his rights are under these policies. I have found upon examination of these policies myself and in consultation with other employees of my Department, that in a vast number of instances it is a most difficult problem to determine what benefits the insured is entitled to from reading the provisions in the policy. Of course, there is what is known as the "Unlimited Policy" and the "Limited Policy." I do not suppose there could be any particular objection to the Unlimited Policy, but with the Limited Policy, various and numerous contentions arise which, in my judgment, can be eliminated and at least many of which ought to be eliminated.

The first glance at these policies would indicate to the uneducated that if most anything should happen to them in the way of sickness or accident, they would receive benefits. The agent in representing these policies to the purchaser, can, without really misstating the facts, show the policy in such a way that it is very

easy to mislead the insuring public, and then when the insured finds that he has become disabled, a close examination of his policy reveals that the latter provisions contained therein so limit the important and outstanding features at the beginning of the policy that there is too often only a small portion to which he is entitled, and in a great many instances, nothing.

I refer to this matter, because I feel that the public is being misled and insurance premiums are being collected on these policies, which if properly understood by the insurer, would have never been purchased, and on this account, the confidence of the public in insurance companies is being weakened, rather than strengthened thereby.

Automobile Insurance.

Automobile insurance in a way is a new business in this country and the reason I make that statement is because twenty years ago there were practically no vehicles propelled by motor power and this method of transportation has so rushed upon us that in a large measure we are at sea as to the best method of its control. The Departments and the Companies have not yet had sufficient time or obtained sufficient experience to properly standardize the policies or the rates. I am firmly of the opinion that no motor vehicle should be insured for its full cost price. It seems to me that seventy-five or eighty per cent of the original cost is all that any company should be permitted to carry, thereby making the owner of a new motor vehicle carry twenty to twenty-five per cent of the risk in property damage and damage caused from theft and fire. I do not think this statement would hold true where a person purchases a contract in case of liability for personal injury, for that is a matter which each individual purchaser of insurance should be free and unhampered to contract for either as small or large amount as he might desire. I do believe that the basic rates for the three subjects above mentioned should be settled in the very near future and I believe this convention should give this matter its careful and earnest consideration; and also that the legislatures of the states should have this matter properly presented to them, so that if this idea appears wise to them, they may enact laws which would properly regulate this perplexing situation.

There is no doubt if this industry continues, it will be one of the largest lines of insurance carried by any of our insurance companies and it should be properly stabilized, taking into proper consideration all other lines of insurance. I am not unmindful of the fact that there are a great many factors to be considered in determining the rates and amount to be carried by companies doing this kind of business, because there are such varied and different kinds of cars in use which are both for the pleasure of the individuals and the commercial industry of the country and these various vehicles are driven by so many different kinds of people, both experienced and inexperienced, that the problems are without number and very perplexing in their nature, but no problem is too large to be tackled and none too intricate but what a practical and working basis may be reached.

Guaranty Insurance.

I desire to make some observations in connection with Guaranty Insurance. This is an important and valuable branch of insurance to the public, if properly written and wisely safeguarded both by the companies and the Departments. However, I am of the opinion that a great many of these contracts are written and interpreted too technically as yet to meet the approval of the public generally and too many defenses arise whenever a loss or defalcation occurs and benefits supposed to be derived from the contract in question are sought and consequently too many of these contracts have to be taken to the courts to determine their meaning and to determine the liability under the same. Long and technical applications must be signed in order to obtain these contracts and it seems the public will never be educated to study and understand these applications before signing the same, and the requirements which the company makes of the insured when they sign these applications are, in my judgment, in too many instances impossible for the insured to make a practical compliance with their provisions.

When the present Commissioner of Finance of my own state first came into

office, and a bond of any kind was required to be given, he always recommended that a company bond be procured, rather than a personal bond, but on account of the facts which I have above set out, he has withdrawn that recommendation and prefers a personal bond instead. Therefore, I believe that if this branch of insurance is going to be popular, and is going to meet the need and in fact, the demand which is now being made for such insurance, these matters must be simplified and broadened and there must be an assurance to the public that where losses occur, there will be more promptness in payment and fewer defenses arise.

It must be evident that casualty companies know from experience the necessary rate to collect and as there exists very little rate control anywhere within the boundaries of this government, it must also be presumed that this character of companies is collecting adequate premiums based upon experience to pay all probable losses and that when a claim is shaded by any process that it only redounds to the interest of the stockholder and not to the premium payer.

So it is in the mind of the President of this convention, that we need further investigation which will bring about more control by the state authorities than we now have. I hope that the convention, if not at this time, in the very near future will consider these questions and try to bring about such a situation that will not only redound to the interest of the companies, but will create a better feeling in the minds of the premium payers.

Mutual Insurance.

Mutual insurance of both life and property interests is so well established as a wise and beneficial form of insurance that I hardly think it is worth while to make any special comment upon this branch of insurance, except to say that it has proven so beneficial throughout the entire country, both to the companies and to the insured, that nothing should or will impede its progress as a principal of insurance.

There is in this country almost every character of mutual insurance, covering almost everything that is insurable. Many of the mutual companies are not under the supervision of the insurance departments, for the reason that they have been able to secure legislation which would take them out from under the supervision of the Departments. In my judgment, this is a mistake and I think departmental supervision should extend to every character of mutual insurance, including both County Mutuals and Farmers Mutuals.

Fraternal Insurance.

Fraternal Insurance, by reason of its lodge system, is regulated and controlled largely through its constitution and by-laws, which are made and changed by the representatives of the various lodges in their conventions. The certificate which the members hold is only a small portion of his contract of insurance and for this reason when fraternal societies were first organized, they endeavored to reach a certain class of insurers and fixed their rates at such amounts as experience has shown they could not perpetually meet their obligations. This mistake was made in my judgment because while the members were young in years and the mortality low in percentage, it was possible to pay their claims promptly with very small assessments and even sometimes they were enabled to pass an assessment for some considerable time. But, experience has shown that those rates were too low and they have been compelled to charge a rate which would enable them to meet their obligations promptly.

For many years this convention has been dealing with this question and in my mind we have accomplished a great deal of good, yet this important branch of insurance is yet before this convention and should at the earliest opportunity be settled.

In many of our states no fraternal society is organized at the present time, without first being required to establish adequate rates, based upon actuarial and scientific calculations and I am of the opinion that this is the greatest step in the direction of solving this problem. A great many of the older organizations of this character have so changed their by-laws governing this question of adequate

rates, that they have been able to successfully meet their financial obligations, and I trust that within a few years the affairs of all of them will be so handled that every fraternal society in the United States will be able to meet its losses as promptly as any other line of life insurance and thereby make it one of the necessary lines of life insurance.

In my own state it is said we have more than 600,000 members of fraternal societies and in many instances it is probably true that it is the only kind of insurance for which the members are able to pay, largely on account of its premiums being small and payable at short intervals, which enables the poorest of our laborers to carry some sort of insurance for the benefit of his loved ones or for the purpose of taking care of his body in the last burial rites.

Reciprocal Insurance.

Reciprocal insurance and its kindred associations have for a basic principle the idea which was originally promulgated in the efforts of some of our wisest citizens to establish both mutual and fraternal insurance. I feel quite sure that the members of this convention know my views on this character of insurance and it is unnecessary for me to indulge in any extended discussion in behalf of such insurance which I believe has proven to be so beneficial to the public and which has become an established principle of insurance in this country.

I do not think it dates farther back than forty years in this country and if my information is correct, it had its origin in the City of New York by some business men getting together and deciding to insure themselves in order to have greater protection and at less cost than they could at that time procure from insurance organizations then established. And, from that small beginning it has spread over our country and is used almost in every state.

I have been told by one of my good friends, who is a member of this convention, that he has no reciprocal exchanges in his state, but I do find that even in his state that possibly half of the premiums paid in the fire insurance lines are paid to mutual insurance companies; therefore, in my mind, it would be just as well for this good friend of mine from New England to have a few reciprocal exchanges. However, I believe that when any state has all the insurance it needs, it is not necessary to branch out into other lines for after all has been said, the whole matter must resolve itself into the question, "Are the people being satisfied," and if they are, no additional steps need to be taken, but if the premium payer is not satisfied, he will make his desires known and will begin to look elsewhere for his protection.

In my own state the so-called inter-insurance exchanges in the fire and casualty lines collect about ten per cent of all the premiums in those lines. It has been said that Missouri is the home of reciprocal or inter-insurance, and I desire to say that we have some excellent inter-insurance organizations in Missouri, but possibly not so many in number as other states. By law and ruling, we try to control this character of insurance and I believe that if all the states would study this proposition, they would have no trouble in controlling this branch of insurance, because in its final analysis, it is altogether in the hands of the subscribers.

There is no more reason in the argument that the pay of the attorney-in-fact of these Exchanges should be withdrawn from them than there is to say that you would withdraw the commission of the agent of any other line of insurance. Men usually work for money and if not for money, for glory, and thus far I have found very little glory in any branch of the insurance business.

Conclusion.

As I have lived my whole life, and especially that portion of my life in which I have been engaged as an Insurance Department official, in the center of the great Mississippi valley, neither I, nor the commissioner of the states surrounding our state, have had to deal with all of the intricate problems that the Insurance Commissioners of the eastern states have handled so ably and satisfactorily, nor do we have the same difficulties and vicissitudes of my brethren of the Pacific

slope. Yet, we have our own peculiar troubles and at the same time, I am of the opinion that we have some of the same, and at least a touch of the varied conditions which prevail both in the east and the west. I feel, however, that our section of the country is a very fertile field for insurance development, and I trust in the near future it will be greatly extended.

The departments of each state in the Union should be very careful in looking after the financial affairs of the companies domiciled in their states, and every effort should be put forth by the Insurance Department officials to so supervise and control their companies that they may successfully pass through this crisis with American financial institutions, of which the insurance organizations are an integral and important factor.

(Applause.)

The President: The next order of business is the call of Committees. The Secretary will call the Committees.

The Secretary called the list of Committees but none were ready to report.

The Secretary laid before the Convention the following report on "Unfinished Business."

UNFINISHED BUSINESS.

Committee on Fire Insurance.

1. Commissioner Bullion's resolution on Underwriting Profits. Page 227, Hartford 1919.
2. "Use and Occupancy Coverage—Subcommittee: Wilbour, Phillips and Hobbs. Page 15, December, 1920.

Committee on Fraternal Insurance.

1. Whether any further legislation is necessary for putting fraternal societies on a basis where they will be better able to meet their obligations. Page 41, December, 1917. Subcommittee: Messrs. Young, Phillips and Taake. Page 218, Hartford, 1919.
2. Providing minimum rates of contribution on certificates issued after January 1, 1922. Subcommittee: Phillips, Button and McSwain, December, 1919.

Committee on Laws and Legislation.

1. "Owning stock in other companies. Subcommittee: Mansfield, Phillips and Hobbs. Page 136, Beverly Hills, 1920.
2. Qualification of Agents and Brokers. Subcommittee: Button, Donaldson and Ramey. Page 137, Beverly Hills, 1920.
3. "Uniform classification of Insurance Companies and uniform method of authorizing transaction of new lines under department license. Page 137, Beverly Hills, 1920.
4. Letter of J. F. Egan on Group Insurance. Page 32, December, 1920.

Committee on Publicity and Conservation.

1. Letter of Public Health Association in regard to statistical study of influenza epidemic. Page 9, April, 1919.

Committee on Taxation of Insurance Companies.

1. Communication from Association of Life Insurance Presidents as to standard tax bill. Page 167, St. Paul Proceedings.
2. Resolution in reference to taxation of insurance companies. Page 103, Denver, 1918.
3. Report of Committee. Page 17, December, 1918. Page 5, December, 1919.

Committee on Workmen's Compensation Insurance.

1. "Establishment of regional or district bureaus. Page 137, Beverly Hills, 1920.

SPECIAL COMMITTEES.

1. Steam Boiler and Employers' Liability Insurance: Messrs. Hardison, McCulloch and Fairchild. Page 89, April 1, 1917; page 185, St. Paul, 1917.
2. Trust Deeds of Foreign Insurance Companies: Messrs. Hardison, Mansfield and Tomlinson. Page 10, April, 1915; page 95, April, 1917; page 186, St. Paul.
3. Construction of Standard Table for Valuation of Compensation Claims. Messrs. C. G. Smith, Downing and Ryan. Page 12, December, 1916; page 186, St. Paul, 1917; page 116, Hartford, 1919.
4. Investigation and Reporting on Advisability of Revising Present Gain and Loss Exhibit of Life Companies. Page 174, Hartford, 1919; page 8, December, 1919. Committee: Roy A. Wheeler, Thos. F. Tarbell and Charles G. Smith.
5. Uniform Law for the Regulation of Reciprocals: Travis, Ellsworth, Potter, Harty, Donaldson and Whitman. Page 92, Beverly Hills, 1920.

President Harty: Gentlemen of the Convention, we will take a recess now until 2 o'clock.

The meeting recessed at 12:15.

TUESDAY AFTERNOON SESSION.

The meeting convened at 2:30 o'clock p. m., Vice-President Donaldson presiding.

Chairman Donaldson: Communications and reports.

Commissioner Mansfield: Mr. Chairman, I have two communications here which I desire to offer and have them referred to the Appropriate Committee. First is a letter from Mr. M. L. Hewes, President of the Standard Fire Insurance Company, with reference to the amortized value for Fire Insurance Companies, asking that it be made uniform or optional, or at least that the report on an amortized basis admissible in one state may be accepted in other states. I suppose that goes to the Committee on Laws and Legislation.

I have another communication here from the Association of Life Insurance Presidents with reference to uniform bill prescribing standard provisions for policies in life insurance with regards to the incontestable clause. It comes through the attorney of their Association. I move that that also be referred to the Committee on Laws and Legislation.

The Secretary: They will be referred to the Committee on Laws and Legislation.

I have a report here of the committee appointed to investigate and report on the advisability of revising the present gain and loss exhibit of life companies.

To the National Convention of Insurance Commissioners:

Your Committee appointed by the September, 1919, Convention of Insurance Commissioners has changed its personnel through resignations to Arthur B. Lines, Massachusetts; Thomas F. Tarbell, Connecticut, and Grady H. Hipp, New York. After careful consideration of the subject your Committee begs leave to report:

- (1) That the present addition and subtraction form of the Gain and Loss Exhibit has accomplished many good results and, after certain modifications, should be retained,
- (2) That there is a great lack of uniformity evident in the preparation of certain items of the Exhibit which should be corrected, and
- (3) That the Exhibit should show a separation of Assurances, Group Insurance, Annuities and Disabilities.

Your Committee believes that the Revision of the Gain and Loss Exhibit is a matter of such importance that all life companies are entitled to be heard. After consultation with the Committees appointed by the Actuarial Society of America and the American Institute of Actuaries to consider this same matter, it has been decided to submit to these two Committees, to be submitted at the 1921 Fall Meetings of their respective Societies for comment and discussion, a complete, tentative report including a full Exhibit which incorporates the revisions tentatively agreed upon. The results of this discussion will be reviewed and considered by the three Committees and a final Exhibit agreed upon. Your Committee suggests that provided this work can be completed in time, the final report be incorporated in the report of the May, 1922, meeting of the Committee on Blanks and acted upon by the Executive Committee at its June, 1922, meeting. This course would allow the revised exhibit, if adopted, to be incorporated in the 1622 blanks.

Respectfully submitted,

ARTHUR B. LINES, Chairman.

THOMAS F. TARBELL,

Actuary, Connecticut Insurance Department.

GRADY H. HIPPI,

Actuary, New York Insurance Department.

Commissioner Mansfield: I move the adoption of the report, Mr. Chairman.

The motion was duly seconded and adopted.

Chairman Donaldson: The next number, gentlemen, on the program is a paper on "Insurance Supervision in Canada," by Hon. V. Evan Gray, Superintendent of Insurance of Ontario.

I take great pleasure in introducing Mr. Gray. (Applause.)

Mr. Gray reads paper. (To be found in appendix.)

Commissioner Mansfield: Mr. President and Gentlemen, Mr. Gray has kindly said that Canada has learned much from the Insurance Departments and the methods which we have here, and I am sure that many of us will realize that there is very much which we can learn from Canada.

I am sure I voice the sentiment of every one here when I express thanks not only of myself but of all of us to Mr. Gray for his excellent presentation of the Canadian situation. Personally I wish

to say I find myself so much in sympathy with much that he has said, and which is somewhat contrary to our manner of living down here, that I desire to thank him for such a clear and splendid presentation of the matter.

I move you, sir, that the thanks of this Convention be extended to Mr. Gray for his very excellent presentation of the Canadian insurance situation.

The motion was seconded and carried by a rising vote.

Chairman Donaldson: I desire to supplement Commissioner Mansfield's remarks, and I want to say further that you ought to be grateful that you haven't forty-eight Provinces when you have these provincial conflicts.

Again, if ever a person wants to come before the Convention and talk about himself the way you have, we will always be glad to see him. (Applause.)

The next paper on the program is by our good friend, Commissioner of Insurance from Minnesota. The rumors are, and in fact he told me himself, that this paper is a hot one and I would suggest to you gentlemen to come up to the front.

I take great pleasure in introducing the Honorable Gustaf Lindquist. (Applause.)

Commissioner Lindquist read a paper on "Coverage Under Health and Accident Policies." (Applause.) (To be found in Appendix.)

Chairman Donaldson: The discussion on this paper will be led by Hon. Leonhard T. Hands, Commissioner of Insurance of Michigan.

Commissioner Hands: Mr. President and Gentlemen of the Convention, I heartily agree with Commissioner Lindquist as to the fool freak policies put out by some companies. There isn't any question but what there are some that are misleading to the buyers of insurance. One specific case came up the other day, I think it was called the Farmer Zone Equitable Health and Accident Policy. After scrutinizing this policy very carefully there were only two provisions that I found that would apply at all to a farmer. One of them was, if he was gored by a bull, and the other, if he was hit in the head with a brick while walking in town, provided, however, it stated, that the building was not in the course of construction or in process of demolition. (Laughter.)

Mr. Palmer, our Deputy, told me the other day that a claim came up, the only one known in our state, where a farmer was gored by an infuriated bull but the adjustor denied liability on the grounds of contributory negligence, that he should have had the bull dehorned. (Laughter and applause.)

I do not agree with Commissioner Lindquist, however, on the conditions of the Claim Departments of our companies, especially in Michigan at this time. We make periodical examinations there,

and we find that the companies are very fair in the settlement of their claims, and we find a high type of gentlemen connected with the companies. There isn't any question but that conditions were deplorable in 1911; however, those conditions were found in the Industrial Departments. In the Commercial Departments I understand there was no criticism. Those conditions were remedied by a standard provision law that we have in Michigan on the statute books, and I assumed that they were in most of the states in the United States.

As I said before, I can't agree with Mr. Lindquist that the companies, especially Michigan companies, are not fair in the settlement of their claims. As I stated before, we make periodical examinations and we pay special attention to the claims, and we find them very fair in their settlement, but there is no question but what some fool contracts are put out. We notified the company about this "gored by a bull" contract, and it is to be discontinued in our state.

We do not have very many complaints in our state, and we have upwards of several hundred companies in Michigan doing business there. We find a high type of gentlemen connected with these companies, especially the Michigan companies, and I only know of one foreign company doing business in Michigan, I mean a company from another state, that has a "Crook" connected with it, and I think that is the Ohio Farmers of Ohio. (Laughter.)

I believe that is all. (Applause.)

Chairman Donaldson: The Chair would like to announce that names be omitted in the future.

In view of the absence of the Hon. S. A. Olsness, of North Dakota, his paper will be read by his deputy, A. R. Aslakson. (Applause.)

Mr. Aslakson read Mr. Olsness' paper as follows:

Before discussing this paper, I wish to say that I am in hearty accord with all that has been said by Commissioner Lindquist in his splendid paper relative to the evils and iniquitous practices in accident and health insurance. In my short experience as Superintendent of Insurance, I have found altogether too many such cases as enumerated by Commissioner Lindquist. I recall one case, where, upon the demise of a railroad section foreman, the administrator of the little estate found that deceased had held an accident policy. Claim was promptly dispatched to the insurance company, and a handsome indemnity was anticipated by the bereaved family. Imagine their disappointment when the claim was denied on the grounds of no coverage.

The policy was submitted to our department for examination, and found to contain a provision excluding railway workers of every kind. The story is very simple: The agent who wrote the policy was not very scrupulous, but he got his commission.

There being no standardization of policies on this class of insurance, the competition has simply invited a free-for-all contest in composing of artful and evasive policy contracts that may read, sound and sell well to the unwary layman.

There can be no dissent as to the evil existing, nor as to the need of a remedy. Commissioner Lindquist does not wish to urge upon this convention, or the insurance commissioners, any specific form of remedy, except to recommend the co-operation of both in drafting a standard policy. The author is positive.

on two points: He declares himself as unalterably opposed to state insurance as a remedy, but believes the evil described can be overcome by proper standardization of the policies and by rigid restrictions enforced by the supervising officials. Right here I wish to go on record as differing with my colleague as to the best remedy. While I, too, believe much can be done to improve the condition by inaugurating a rigid system of control through the insurance departments, I feel positive that no amount of regulation or supervisory control can successfully cope with the situation, for the very nature of this branch of insurance is more conducive to sharp practices in the hands of private insurers, than most any other.

That this is so, the report of your special investigating committee from which Mr. Lindquist recited, bears ample proof. Both the findings of said committee and the Commissioner's paper are most scathing in their condemnation of the abuses perpetrated upon the unwary public by unscrupulous accident and health companies and their agents. The very fact that there is more clamor for state-operated industrial accident and health insurance, and more already taken over, than in any other line of insurance, further indicates that herein lies the surest relief.

While I do not lay claim to being an authority in this line, I have felt instinctively that the public might best be served if a system could be inaugurated, by which a fixed premium is collected from every citizen within a state, say above the age of 15 or 18 years, thus creating a reserve fund, guaranteeing likewise, every such citizen full coverage protection. This would have to be based on statistical experience, of course. There being no moral hazard about accident risks, I do not see why such a system should not be feasible or practical. I have in mind the plan in vogue by, I believe, every railroad company in the country. By this plan a certain contribution is required of every employee per month as an insurance premium for which the company agrees to furnish free medical aid and hospital service in case of accidents or sickness to such employee while in their service.

I do not see why a similar system could not be extended to the general public, by the state. I know many of you will say that this is socialism and incompatible with good Americanism, but if it is, why is not also our common school system, our postal system and our established manner of supporting the poor, unamericanism? As I understand it, nearly every country in Europe has government industrial accident and health insurance.

I beg to call attention again to the ——— paragraph of Mr. Lindquist's paper, which states that out of a total of \$95,261,078 in premium receipts, only \$39,792,476 was actually used in payment of losses to the insured. When did public ownership furnish a more glaring example of waste and inefficiency?

Having now committed myself to the advocacy of public or state accident and health insurance, with full coverage, you will pardon me for citing examples of how our own state insurance has worked out, in practice since it became operative. The great, young state of North Dakota has had a law providing for state bonding of public officials operative since January 1, 1918. Up to April 30, 1921, the total premium receipts in this fund was \$141,158.71. The net losses by defalcation are \$5,865.71. Our total assets are \$130,467.73, and the liabilities consist of reserve \$32,892.92; surplus \$97,574.81, the latter being the net gain during said period. I wish to call special attention to the operating expense which is \$8,093.78 on a business comprising a total amount of \$30,163,150 of bonds written and covering a period of three years and four months, showing an overhead expense of 5.74 per cent. The premium rate is the same as charged by the line companies or 25 cents per \$100 per annum.

A condensed report of the operations of our state Fire and Tornado insurance on public buildings since its beginning August 1st, 1919, to August 15, 1921, shows, total premium receipts, \$281,880.07; premium receipts earned \$170,513.98; fire and tornado losses paid in said period, \$19,122.19; deducting for operating expense, reinsurance, unearned premiums, or in other words were we to liquidate and close out the business on August 15th last, this fund would show a net gain of \$123,326.62. The operating expense for the period of two years and fifteen days

was \$7,164.33 or an overhead of 3.07 per cent on premium receipts. The net insurance in force was: Fire insurance, \$9,370,709.30; tornado insurance, \$1,356,930.20, on April 30, 1921. I wish to emphasize that both these funds are taken care of by one young man, as manager, and two girls.

Then last but not least, we have the State Hail Fund, which is also under the supervision of the Insurance Department. The law creating this enterprise was enacted in 1919, and is therefore operating its third season.

Official figures for 1919 and 1920 reveal that the state carried approximately 12,000,000 acres each season. The gross amount of risks were about \$84,000,000. According to Federal statistical reports the total crop acreage of the state was about sixteen and a half million acres. Consequently 72 per cent of the total acreage carried state hail insurance. There were 14,400 losses to adjust in 1920 representing \$3,472,630.35. The levy necessary to meet the losses and expenses was 32 cents per acre, as compared with about 77 cents per acre charged by the line companies for the same amount of insurance, or a difference of 45 cents an acre in favor of the state plan. Had the twelve million acres carried private insurance at that rate, it would have cost the farmers of the state \$5,400,000 more for 1920. The ratio of overhead expense based on receipts was 3.10 per cent and 3.44 per cent based on the losses paid. The cost of adjusting is estimated at \$10.00 per loss by the line companies. The state cost was \$5.00.

In view of these experiences, you will understand why I must differ with my neighbor commissioner, as to the remedy to cure the evils described in his able treatise. He is unalterably opposed to state insurance of any kind. I am unalterably in favor of state accident and health insurance as the best suited for public service. But until this can be had, by all means, let us have action along the lines urged by our esteemed contemporary, Commissioner Lindquist.

Chairman Donaldson: I don't need to introduce the final man of the afternoon, the Hon. James F. Ramey, of Kentucky. (Applause.)

Commissioner Ramey: Mr. Chairman, Mr. Cornett, the Deputy Commissioner is handling this subject. I was so busy acting as host that I haven't had time to get it up.

Chairman Donaldson: The paper will be read by the Deputy, Mr. Cornett. (Applause.)

Mr. President:

In the preparation of this paper I have no idea as to what the distinguished gentlemen preceding me will have to say on this subject, except that I do have before me an advance copy of the paper to be read by the Hon. Gustaf Lindquist, Insurance Commissioner of the state of Minnesota. This being the case, I can only take a chance as to my paper being a repetition. I realize that it is out of the ordinary for a Deputy Commissioner to take issue with an Insurance Commissioner such as Mr. Lindquist who has both experience and ability, but, after having carefully read his paper several times, I must say that I cannot agree with him in all that he says. His paper contains some excellent recommendations and such as are worthy the consideration of all classes of insurance companies, but his indictment of the Health and Accident Companies comes as a great surprise to me for there have been very few complaints made to the Kentucky Insurance Department, and none of these complaints have been on grounds of denying liability under ambiguous policy clauses. Surely we would have heard from claimants had there been a disposition on the part of companies to deny liability under policy forms issued in this state. It may be that the absence of foreign elements is the cause of lack of unfair settlements.

I do not believe the time is ripe, if it will ever be, for a standard health and accident policy. There are standard provisions required by some states and incorporated in the policies used by all the companies doing business in this state where the law makes no requirements and I think in all states having no law on the subject.

The standard provisions go about as far as policy requirements can go and do justice to all kinds and conditions of men seeking the protection of health and accident insurance. Would it be fair to the man of small income who desired a policy of the principal sum of \$3,000.00 and limited coverage to fit his needs and premium in accordance, to say, no, you cannot buy such a policy, but your policy will have to be for \$500.00 or \$1,000.00 for the premium you are able to pay, but the terms to be exactly the same as your rich neighbor?

The health and accident policy has been progressive, meeting the needs of all the people in the changing and more complex conditions of daily life. The competition has been open and keen, almost to the breaking point, and it seems to me that the company managers are to be commended for the way they have responded to the needs of the people, and in this connection, I desire to quote from the report of the Hon. O. W. Chapman, Superintendent of Insurance of the state of New York in the year 1875:

"No matter how the subject be approached, the word **management** is the keystone of the arch, not simply in the matter of investment, selection of agents and medical examiners, or in office requirements, but in everything pertaining to the company's whole administration."

It was not until the year 1920 that Life Insurance Companies were permitted to write health and accident insurance in Kentucky, but certainly they were writing health and accident before then, when that greatest of innovations that completed the life insurance policy—when the total disability clause was incorporated in the policy.

I agree with Mr. Lindquist that no company should be allowed to write an accident and sickness policy, promising on the first page:

"Full sickness and accident coverage, hospital benefits, double indemnity for a period of twenty-four months for accident, and twelve months for sickness, and, on the second page thereof, insert a clause which provides that death or disability from sunstroke, freezing, or some other twenty-five named diseases or any chronic diseases, or any disability that is caused by one or more diseases, or diseases in connection with any injury, will be considered as resulting from sickness, the original cause thereof notwithstanding, for all of which the company will pay benefits as provided in parts I and V of paragraphs A and B thereof, and subject to the same conditions as specified therein, not to exceed one month."

I agree that this places in the hands of an "unscrupulous" adjuster, a mighty club, but, are all adjusters "unscrupulous"? Can we say that the officers of the various companies are "unscrupulous"? We cannot. I have had the pleasure of attending the last two meetings of the "Health and Accident Conference" and I have come to know personally several of the officers of the various companies. They know their "short comings" and the hurtful actions of a few "unscrupulous" companies and agents. From my observation, these are some of the things the Conference is trying to work out, and if given time, these evils which Mr. Lindquist complains of will be cured. In this connection permit me to quote from an address delivered by William R. Sanders, President of the Health and Accident Conference, delivered at French Lick, Indiana, on August 29, of this year:

"Our Conference long ago passed its days for the purpose for which it was intended by its founders. From a militant body it has become an educational institution and an organization for service with an attendance at its semi-annual meetings of company representatives who mingle with each other in the most friendly spirit, each seeking to be of some small benefit to some one else, and all working for the common good of everyone. I use this word "everyone" in its broadest meaning, embracing the policy holders, agents, state insurance departments and the companies themselves, which are all greatly benefited through the results arising from this Conference."

At this same meeting, Hon. James F. Ramey, Insurance Commissioner of this state, made the following statement:

"It is highly important that your conference and its members should sense public opinion in advance—know what the public thinks of your service and study methods of its improvement, thereby forestalling adverse criticism. The public, when properly informed, can be relied on to appraise correctly most practical propositions. By keeping your ear to the ground and recognizing the silent forces, you can correct evils that spring up in your business, and leave our legislative bodies to apply their time and talent to more important matters of state. Very few more laws are needed in the insurance business. Co-operation and the practical application of the Golden Rule, with a wholesome regard for the fellow across the fence, will forestall adverse criticism and legislation."

This statement was received with applause and thoroughly convinced me that if given time this Conference will weed out the "unscrupulous."

I agree with Mr. Ramey that very few laws are needed in the insurance business and as Mr. Alexander puts it:

"Many of the laws enacted by the various governments and states for the protection of policy-holders have done serious injury to those for whose benefit they were enacted. Usually this has been due to the ignorance of well meaning legislators, who have labored under the mistaken impression that the interests of the company are antagonistic to those of the policy-holder. As a matter of fact, it will generally be found that the interests of the company and of its policy-holders are identical. Hence, blows aimed at the former have frequently struck and wounded the latter. Moreover, much of the insurance legislation has been designed to protect deserters and little of it to protect steadfast members."

(Applause.)

Chairman Donaldson: Tomorrow morning, gentlemen, there are three papers to be read, and from the length of the papers today, I suggest, and President Harty has asked, (I hope he will preside tomorrow), that the Convention assemble promptly at 10:15 so we can start the proceedings at that time.

The meeting adjourned at 4:40 o'clock until Wednesday morning at 10:15 o'clock.

WEDNESDAY MORNING SESSION.

The meeting convened at 10:20 o'clock a. m., Vice-President Donaldson presiding.

Chairman Donaldson: Communications and reports.

Mr. Joshua Barbee: Mr. Harty asked me to present a report of the Committee on Examinations.

Mr. Barbee read the report of the Committee on Examinations as follows:

As Chairman of the Committee on Examinations, I desire to submit the following report of examinations since March 1st, 1921, together with states participating in examinations:

The following examinations have been called by the Committee, completed and reports filed:

Examination Report Received on and States Represented.

Bankers Casualty Co., Minneapolis, Minn.; Minnesota, Iowa, South Dakota and Wisconsin.

Bull Dog Auto Insurance Association, Washington, Ill.; Oklahoma and Illinois.

Business Men's Assurance Company of America, Kansas City, Mo.; Wisconsin and Missouri.

Central States Fire Insurance Co., Wichita, Kans.; Kansas and Nebraska.

Dakota Life Insurance Co., Watertown, S. D.; North Dakota, South Dakota and Montana.

Kansas Casualty and Surety Co., Wichita, Kans.; Kansas, Oklahoma and Wisconsin.

Kansas City Life Insurance Co., Kansas City, Mo., Missouri and Colorado.

Lion Bonding and Surety Co., Omaha, Neb.; Nebraska, Kansas, Minnesota, Iowa and Idaho.

Life and Casualty Insurance Co., Nashville, Tenn.; Tennessee, Louisiana and Mississippi.

Mountain States Life Insurance Co., Denver, Col., Colorado, Utah and Wyoming.

National Life and Accident Insurance Co., Nashville, Tenn.; Illinois and Tennessee.

New World Life Insurance Co., Spokane, Wash., Washington, Oregon, Idaho, Montana and Illinois.

Northern Life Insurance Co., Seattle, Wash.; Washington, Oregon and Idaho.

Provident Life and Accident Insurance Co., Chattanooga, Tenn.; Tennessee, North Carolina and Virginia.

Security Fund Life Co., Minneapolis, Minn., Minnesota, Iowa and Wisconsin.

State Life Insurance Co. of Des Moines, Iowa; Iowa and Minnesota.

United Order of the Golden Cross, Knoxville, Tenn.; Tennessee and Massachusetts.

Woodmen of the World, Denver, Col.; Colorado, Idaho and Utah.

Western National Life of Wyoming; Wyoming and Colorado.

Western Reciprocal Underwriters of Kansas City, Mo.; Missouri and Kansas.

Western Union Life of Spokane, Wash.; Oregon, Montana and Idaho.

The following examinations have been made by various states and filed with the Committee on Examinations, but were not called by the Committee:

Examination Report Received on and States Represented.

Atlantic City Fire Insurance Co., Atlantic City, N. J.; Froggatt and Co., Inc.

American Life Insurance Co., Des Moines, Iowa; Iowa.

Cedar Rapids Life Insurance Co., Cedar Rapids, Iowa; Iowa.

Camden Fire Insurance Association, Camden, N. J.; Joseph Froggatt & Co., Inc.

Commercial Casualty Insurance Co., Newark, N. J.; Froggatt & Co., Inc.

Central National Fire Insurance Co., Des Moines, Iowa; Iowa.

Eagle Fire Insurance Co., Newark, N. J.; Froggatt & Co., Inc.

International Fidelity Insurance Co., Jersey City, N. J.; Joseph Froggatt & Co., Inc.

Liberty Life Insurance Co., Des Moines, Iowa; Iowa.

Mutual Protection Fire Insurance Co., Charleston, Mass.; Massachusetts.

Manufacturers Liability Insurance Co., Jersey City, N. J.; Froggatt & Co., Inc.

New Jersey Fidelity and Plate Glass Insurance Co., Newark, N. J.; Joseph Froggatt & Co., Inc.

Old Bay State Insurance Co., Concord, Mass.; Froggatt & Co., Inc.

Preferred Risk Life Insurance Co., Des Moines, Iowa; Iowa.

Royal Union Mutual Life Insurance Co., Iowa; Iowa.

Southern Life & Health Insurance Co., Birmingham, Ala. John A. Copeland, Consulting Actuary.

Western Life Insurance Co., Des Moines, Iowa; Iowa.

The following examinations have been called, but have not yet been completed:

Examination Called on and State Participating.

American Reinsurance Co. of Philadelphia; New York, Pennsylvania, Iowa and Missouri.

American Woodmen (colored), Denver, Col.; Missouri and Colorado.

Commonwealth Life Insurance Co., Omaha, Neb., Kansas and Iowa.

Employers Indemnity Corporation, Kansas City, Mo.; Iowa, Missouri and Kansas.

Great Republic Life Insurance Co., Los Angeles, Cal.; Oklahoma and California.

Hearing on Heralds of Liberty of Alabama; New Mexico and Mississippi.

International Indemnity Co., Los Angeles; Washington and California.

Illinois Automobile Insurance Exchange, Bloomington, Ill.; North Carolina, Illinois, Minnesota, Oregon, Oklahoma, Wisconsin, Kentucky and Virginia.

Kansas Casualty and Surety Co., Wichita, Kans.; Oklahoma, Wisconsin, Minnesota and Kansas.

Life and Casualty Co., Nashville, Tenn.; Tennessee, Mississippi and Louisiana.

Lion Accident and Casualty Co.; Nebraska, Kansas, Minnesota, Iowa and Idaho.

Missouri State Life Insurance Co., St. Louis, Mo.; Missouri, Indiana and Arizona.

Mystic Workers of the World, Fulton, Ill.; Iowa, Illinois and Missouri.

Neighbors of Woodcraft, Portland, Ore.; Colorado, Washington and Idaho.

Northern Life Insurance Co., Seattle, Wash.; Washington, California, Oregon and Idaho.

Old Colony Life Insurance Co., Chicago, Ill.; Nebraska, Iowa and Illinois.

Prudential Insurance Company of America, Newark, N. J.; New York, Massachusetts, New Jersey, Indiana and Missouri.

Security Benefit Association, Topeka, Kans., Kansas, Missouri, Pennsylvania, Nebraska, Texas, Iowa and Wisconsin.

United Order of the Golden Cross, Knoxville, Tenn.; Tennessee and Massachusetts.

Volunteer State Life Insurance Co., Chattanooga, Tenn.; Mississippi and Tennessee.

Chairman Donaldson: Any further communications or reports?

We will now take up the regular program. The first subject to be discussed this morning is "Uniformity." The first part, "As to Taxation and Fees," will be handled by Hon. A. C. Savage, Commissioner of Insurance, of Iowa.

I take great pleasure in introducing Mr. Savage.

Commissioner Savage read paper. (To be found in Appendix.) (Applause.)

Chairman Donaldson: I have appointed Mr. Stacey W. Wade Sergeant-at-Arms and in case he needs any help I advised him to call on Mr. Fishback, of Washington.

The first discussion on this paper is by the new Commissioner of Ohio. We will ask him to appear at the platform. I take great pleasure in introducing Hon. B. W. Gearhart. (Applause.)

Mr. President:

This subject so far as its disposition here goes is not susceptible of elaborate

discussion. The bald questions are, "Should there be uniformity in the fixing of fees and the levying of taxes"? and "If so what steps should this organization take to bring it about"? Commissioner Savage has by concise analysis and arrangement presented instances of lack of uniformity, which trouble the Companies, perplex the departments and result in indefensible burdens upon providence and thrift.

And it devolves upon us to do what many of our legislatures have failed to do, consider the effect upon the policy-holders who are our citizens, as well as upon the Companies themselves.

A leading writer on the subject of Insurance has said of it that though based on self-interest it is the wisest and most beneficent system which human self-interest has ever established. Insurance is in a sense public in its character and properly subject to regulation and supervision, but sound economic principles demand its encouragement—perhaps more at this time than in any other period of our history.

The man who insures and saves that the natural objects of his bounty may have a competence or that a business may be preserved, is a supporter of good government and a social benefactor. As Commissioner Savage points out, this seems to have been forgotten when money could be had. So the conditions to which he directs attention have arisen.

The Companies must now be familiar with many different systems of law, or take their chances of violations; they must expect to be met with new legislation framed often by those who are ignorant or unmindful of or indifferent to its ultimate effect. The construction of such laws presents problems. So long as there is a lack of uniformity in charges made by the various states, there will be some kind of retaliation, and here the perplexities of the departments increase. Situations arise in which it is necessary to determine the meaning of the laws of other states, some times without the light of court decisions or departmental rulings. The difficulty is not only that the schedule of fees fixed by the laws of different states vary in amounts, but also that charges differ or seem to differ in their nature and character. Whether an item of charge by a foreign state, although designated in a different manner is the same as one in the home state, often becomes a subject for painstaking investigation and even controversy. And the department may find it necessary in order to reach a correct conclusion to make an extensive study of the laws of another state.

As an illustration of what I mean, I have in mind a case now in the Ohio Department upon which numerous briefs have been submitted and which will be probably settled by litigation. We are examined by the Auditor of State. He knows of our retaliatory statutes and sometimes applies them in making his findings. Therefore, the complete determining of a fee question does not rest entirely with the department and the Company. The former may find itself charged on paper at least, for failing to require what in its judgment was not due it.

The case which I have in hand and to which I referred involves the construction of the laws of a state into which none of our Life Companies go. We do not know when we fix retaliatory fees for its Companies how certain provisions of its statutes will be constructed by the departments or courts, when imposed upon our Companies. We have been advised and believe that a certain fee requirement in that state is additional to others corresponding to our charges, and that our retaliatory law must be applied. The Company makes a vigorous contention to the contrary.

We are bound under the law to collect this item if it is a proper charge. If we do not insist upon it we may be mistaken and our Companies may sometimes be obliged to comply with a different holding if they enter this state. If we make this collection we must do so by suit in the courts of Ohio, or refuse to permit the company to go on, which would mean litigation instituted by it in our courts. But an Ohio decision while, no doubt persuasive, would not settle the question if it arose between our companies and the department of the other state. The courts of the latter might decline to follow ours; then there would be more

retaliation and we should see companies charged, because two courts could not agree upon the construction of a statute.

We have recently admitted a company which comes from a state, where the initial fees are many times as large as ours, but which does not require the payment of certain items charged by us annually. Sometime it must be determined whether these impositions are of the same kind and character, differing solely as to the time of collection, or whether they are so dissimilar that retaliation is bound to follow.

These difficulties arise largely for the reason given by Commissioner Savage that laws have been framed without proper consideration of their indirect effect. But the real mistakes have been made in failing to keep in mind that fees are imposed by reason of service rendered from the necessity of public regulation and supervision. The imposition of fees for purely revenue purposes is indefensible in law and against sound public policy. Of course, this cannot be said of taxation in conformity with constitutional principles, but a fee is a charge due for the regulation and supervision of the business, demanded by public welfare.

But when a company and, of course, those who compose it, are charged not because of service rendered it, but because some other company is also charged some where else, the true reason for the imposition of fees has disappeared. Property is taken not for any obligation to public authority, but for the reason that it is also taken some where else.

But to remedy this difficulty we must make not only our fees but our services of regulation, supervision and control, as nearly uniform as possible. That conclusion suggests general uniformity in insurance codes. The needs for uniformity in business have led to the adoption by most of the states of uniform sale codes and negotiable instrument codes, whereby transactions of the greatest magnitude and diversity are regulated.

We should have uniformity in the imposition of fees, because we should have uniformity of regulation, and the service therefrom ought to be worth as much in one place as in another. The mere reconciliation of figures will not, in my judgment, solve our difficulty though it would mean something. But whether or not because of volume of business or some other reason, one department must charge more or less than another, certainly the nature and character of the charges could be made to approach uniformity.

In considering the possibilities of uniformity in taxation we must take into account other factors. Premium taxes are justified not upon the ground that insurance companies are carrying on a business, which entails expense upon the state, but because the right to do this business is a franchise or privilege which may be granted upon terms prescribed by public authority and with relation to its value.

This value may not be constant and the necessities of government may vary so that exact quality and uniformity may not be practicable, but Commissioner Savage has observed one condition for which a remedy may be had and that is, the lack of uniformity in levying and collecting taxes.

Take the exceptions to which he refers. There must be injustice some where, when a particular kind of company is taxed in one state and goes free in another. For that, under our retaliatory provisions wrings money from the company doing business in the state while another of similar class pays nothing.

It would seem that uniformity in regard to deductions is not only possible but highly desirable. Why should one state make allowance for re-insurance paid and another for re-insurance received? Why should one state allow a deduction for dividends applied to premiums while another does not? In Ohio the allowance is for re-insurance received. Our companies go into other states where the opposite rule prevails, and desire to re-insure their business there. Their re-insurer gets no reduction, because the local law makes no provision for it, and they themselves can claim none, because Ohio does not permit an allowance for re-insurance paid. If you will take the tabulation furnished by Commissioner Savage, the extent of the injustice possible is apparent. Other inequalities exist, but their discussion in detail would serve no useful purpose here.

I heartily favor the suggestion that the subject of uniformity as to taxation and fees go to the legislative committee and I wish that the question of the consideration of a uniform code could go with it.

(Applause.)

Chairman Donaldson: Mr. Barber, the Commissioner of Oregon, is unable to be here but he has sent his paper on and I will read it, as Col. Button is out eating his breakfast.

Chairman Donaldson read Commissioner Barber's paper as follows:

The copy of Commissioner Savage's paper was received today and I realize that if my comments on this paper are to be presented to your association, I must reply at once.

The Commissioner from Iowa has covered the subject matter fully, but leaves it to the association to suggest some definite remedy for the ills complained of.

There appears to be more need of uniformity in this matter than any other presented to insurance departments of the various states at the present time, and the difficulties they encounter on account of retaliatory laws of some states are brought to our attention.

Through the efforts of this association, uniformity in policy contracts is being brought about. Standard policy forms and conditions to be contained in such policies have been recommended by this association and are being gradually adopted in the various states. We can hope that practical uniformity in this respect may be secured in a few years.

At the present time the greatest possible divergence appears to exist in the matter of taxation and fees in the various states and we need to make a definite start toward securing uniformity in some respect.

While we may question the advisability of a tax upon thrift, such as the collection of taxes on insurance premiums, we cannot ignore the fact that the tax on such premiums is a considerable part of the revenue of many states and that none of the state legislatures will be disposed at this time to in any way alleviate this burden of the insurance companies and the insuring public.

At the present time most of the states have levied a direct tax up to the limit permitted under their laws and now seek to collect indirect taxes, such as those upon insurance premiums to secure the income necessary to meet government expenses.

I think we should first move to secure a uniform basis for such taxation and would suggest the plan most easily defended against argument made by the companies themselves. In my opinion such taxes should be levied on the gross premiums written, less return premiums, premiums paid for re-insurance and not losses paid. This means that the companies would then pay a tax upon their net premium income after deducting losses paid during the current year. It appears to me as the fairest basis for such taxation and meets with little opposition from the companies themselves.

With a definite basis of taxation prevailing in all states, the reports which the companies would be called upon to make to the various states would then not vary to the extent they do at the present time. It is to be anticipated that each state would still insist upon its right to fix the rate of taxation such as to bring in the income desired from this source.

The taxes collected on premiums are recognized by the state legislatures as a definite and legitimate part of the income of the state to be applied as are other taxes.

It is my opinion that the fees collected from insurance companies as a consideration for their franchise to transact business in the state and for licenses issued to their appointed agents, should produce an income little more than is necessary to meet the expenses of the insurance department, which is maintained primarily

for the supervision and regulation of the insurance business. This plan would meet with the approval of the companies in a general way and would be consistent. They are always willing to pay the expense of the maintenance of the insurance department.

The amount of the fee charged may vary in the different states but in my opinion this association could recommend a scale of fees for company licenses, agents licenses and clerical work which an insurance department may be called upon to do which would be acceptable to all states. The states having the largest expense to meet for maintenance of their department have a greater number of companies transacting business in that state and the scale of fees adopted should be so arranged as to meet the requirements of the states having the largest expense of maintenance of the department to meet.

I heartily concur in Commissioner Savage's suggestion that this matter of uniform taxation and fees be referred to the legislative committee of this association with request that they prepare recommendations along this line to be submitted at the next convention, and I trust that I have offered a suggestion in concrete form which may be a working basis for such committee.

(Applause.)

The final discussion on this paper will be by the Hon. E. N. Rogers, of Tennessee. (Applause.)

Commissioner Rogers: Gentlemen of the Convention, when this subject was assigned to me I felt very thankful to the Committee on Assignments for honoring me on this occasion. However, I think they were extremely liberal in limiting me to a five minutes' talk on this subject. I am not experienced in the work of the department, having just gone with the department some few months ago, but the subject as has been outlined by Mr. Savage, a copy of which I had and reviewed, has been, in my opinion, very well covered. There were some phases of the case, however, that might be discussed in the methods to be used in reaching certain taxable incomes. The question of uniformity of taxes is one that unquestionably should have consideration at the hands of this Convention. We have found that in practically all of the other lines of insurance that we have endeavored to cover by uniform methods it has resulted in a great deal of good, and I am sure with the great difference that now exists between the taxing methods of the different states that by suggestions from this convention a great deal of good could come about eventually a uniform method of taxation could be arrived at.

The question of taxation reminds me of the old axiom that there are two things that are certain, one of them is death and the other is taxes. I found that Savage collects no tax from the foreign companies. In the state which I have the honor to represent we are not so modest as we collect practically up to the maximum amount—2½ per cent, but we have in that state today the question of the fire marshal's tax which is levied from one-half to 1 per cent and the question is now before me as to whom this fire marshal's tax shall apply. I think with the uniform method and uniform laws regarding that that those questions would not be brought before the commissioner but result in an even working and a great deal of good to all the states.

There is only one question that I think of in connection with this that might be covered in the recommendations of this convention, should the recommendations be made for certain legislation, and that is the question of taxation of the companies writing blanket policies over the country. In discussing this question with one of the commissioners of a state doing a great deal of business, that is, having a number of large companies in it, he pointed out to me on yesterday where a very large interest would place their insurance, we will say with a broker in the City of New York. These interests might be scattered all over the United States. Take, for instance, a concern like the United States Steel Corporation, I don't know whether they are self-insurers or whether they carry insurance but the question applies both to fire as well as compensation or liability insurance. As I said, that insurance is placed in the city of New York covering the insurance all over the country, and I have been unable to find who would derive any taxes whatever, providing the company placing that insurance was a resident of the state of New York. In other words, here are some of the largest interests in the country that are absolutely escaping taxation through the method of the placing of the business.

I think that this subject might be covered in the recommendations governing the uniform taxation fees.

I don't know of anything else that I can discuss. I wish to compliment Mr. Savage on this and to say that I am thoroughly in accord with the uniform method of taxation in arriving at certain fees in that connection. (Applause.)

Chairman Donaldson: You older men will have to get busy if you keep ahead of the younger men.

I know of no more able brain, no more interested worker, I have known no better public servant than Clarence W. Hobbs, of Massachusetts, whom I now present. (Applause.)

Commissioner Hobbs read paper on "Uniformity as to Investments." (To be found in appendix.) (Applause.)

Chairman Donaldson: I certainly think Commissioner Hobbs has contributed a wonderful paper to the Convention proceedings.

You men here will recall Fitz MacMaster, of South Carolina, followed afterwards by another Mack, McSwain and whose successor in office today is McMahan. No reference would perhaps be more opportune in the question of investments for economy than those three Scotch names.

I have great pleasure in introducing Hon. J. J. McMahan, of South Carolina.

Commissioner McMahan: Mr. President and Gentlemen of the Convention: Notwithstanding the reference to my supposed Scotch ancestry, I have been called not a practical man but one of those damned theorists, and consequently I had felt I must confess no interest in this subject of investment. However, appropriately.

the main paper had been assigned to a distinguished product of thrifty New England, I thought my remarks would be chiefly altogether perfunctory. I found, however, a great deal of interest in the paper and I agree thoroughly that the review of the laws of the several states, the comparisons of those laws, afford us in the published form a most valuable guide to study and I wish that I had time to go somewhat into a discussion of certain of his points that impressed me very much and possibly to comment as to some little matter that I may happen to know a little about because of locality.

When it is said there that certain states named have provided against the improper use of the funds of their insurance companies by forbidding officers to deal improperly for their own profit, South Carolina was not named. I wish that I could go into some exposition of the equity at the foundation of all the laws of South Carolina, under which guardians and attorneys and trustees are prohibited from dealing with themselves and theirs in such a fundamental principle of law, which is possibly a more far-reaching and complete protection than any statute seeking to enumerate could provide, except that, of course, to the lay mind the statute may bring into appreciation more obviously certain inherently criminal consequences of what otherwise superficially might not be so apparent as wrong, and, therefore, statutes have their merits, though South Carolina has the law, but, gentlemen, I am sorry to say that as much as I respect and regard and admire the paper of my friend and his character doubtless and his worth and his state and his section, he began by an allusion to my state which makes it necessary for me possibly to devote my remarks to answering and to defending and to vindicating. He has said that South Carolina has the law that provides a compulsion of investment of reserve funds of life companies, so far as relate to residents of that state, in the securities and other commodities of that state by reason of the fact that it imposes a tax remitting the tax in proportion to investment. Now I did not misrepresent the law when I said "imposes tax and remits," but he misrepresented in his conclusion and how he reached so illogical a conclusion I cannot understand, because our law is a 2 per cent tax on premium. I am told that North Carolina has a 2½ per cent tax on premium and if there be confiscation of property in this 2 per cent tax on premiums, why should South Carolina be held up as in the attitude of bandits and not other states?

I am told, and learned yesterday, that in Canada the provinces impose on fire companies a 2 per cent tax and on life a 1¼ per cent tax and these states make no remission by reason of investment.

Now, then, gentlemen, the South Carolina law, while imposing a moderate 2 per cent tax adds a provision that if the company invest one-quarter of its reserve in that state, then one-quarter of

a per cent tax shall be remitted, and if a half, a half and if all, 1 per cent, leaving the tax then only 1 per cent.

Now, gentlemen, that it seems to me is merely an inducement, merely an invitation, merely a thought of advertisement, merely a suggestion, a reminder. My good friend MacMaster has more than once stressed to me that he would have been opposed to the passage of any law that would compel investments but he prided himself on having somewhat engineered this law that led to a sort of inducement, an invitation to investment and did result practically in investments because the capital of South Carolina soon had skyscrapers built largely with insurance money, and other improvements and developments have come to pass in our cities and in our country to some extent, though hardly the insurance money in the country yet but in the cities, leaving available for the country money that would otherwise have been first invested in the country.

Therefore, gentlemen, it seems to me that my friend was a little too critical of our harmless law, and by and by, who pays the insurance tax? Our people pay it as your people pay it, and consequently the insurance company is merely the collector and gets a pretty good rake off for the collection, and I don't see, when it isn't a prohibitive tax, when it is a mere 2 per cent tax—less than other states charge—why he thought to criticize us. I am sorry to say that he says that that seems to indicate a lack of consciousness of merit in our investments, a sort of doubt of their natural attractiveness and that it might result in compelling investments to such an extent as to bring about a superabundance of money in our community and even to lead to companies investing in inferior securities at a too low rate of interest. Now, gentlemen, when he speaks of a superabundance of money in South Carolina (laughter and applause), I am reminded of our good colored friend who, when asked if he would change a five-dollar bill, said, "I thank you, sir, for the compliment but I ain't seed no five-dollar bill."

I am somewhat astounded at the idea that there could be also a necessity of investing in inferior securities and securities at too low a rate of interest. Why real estate mortgages hardly ever bring less than 8 per cent interest—6 to 8 per cent, public bonds 5 to 7 per cent.

I don't know how they are in Massachusetts but we look upon that section of the country as having a surplus capital and we thought that possibly if they could once try our country and find the real safety of our investments and the real soundness of our laws for their protection and could find the real profit of our rates of interest, that they might be induced to stop building up their own section at a rate so far ahead of ours and to put some of their surplus money in our most needed community. Consequently, gentlemen, this invitation, it seems to me, was very much in the nature of a sort of touch at the elbow or on the breeches of a cat sitting by its master at the dining table (laughter), or it might be

compared to Lazarus at the gate of the rich man (laughter), it was merely a reminder, merely a sort of suggestion and not a compulsion and I cannot conceive in what moment of lapse of mind a gentleman educated and trained and passing his life under the shadow of the great institution at Cambridge, which we all admire and look up to, could have reached such a conclusion of logic. (Laughter.)

Mr. President and Gentlemen, it happens that we have had some other little experience in trying to induce New England capital to South Carolina. Why back yonder we passed a law exempting from taxation cotton mills for ten years if built in our state. It was a bad principle, it was not sound but they thought it practical and whether it resulted in anything or not I cannot say, but it was an advertisement to New England that we at least have so much of good-will that we will show you this courtesy of exemption from taxation for ten years if you will come and start cotton mills in our midst. Well, Mr. President, they didn't need exemption from taxation any more than they now need the exemption from taxation of a quarter of a mill or an 8 per cent investment in South Carolina, or for half of a mill or a whole per cent if they make in South Carolina an investment of all of their reserves as respects the people of South Carolina, but it indicates an attitude of friendliness. Now, under that system, or possibly entirely independently of it, there has been built up in a generation or less in South Carolina a cotton mill industry that bids fair to rival that of New England. There are sections in South and North Carolina in the Piedmont that are comparable to the most thickly settled mill section of New England, and gentlemen, I do not know that this accumulation of wealth has helped our characters at all, but I am citing to you the monetary industrial result and that is the only thing that the ordinary run of men think counts.

The gentleman, however, in his paper did conceive a certain moral obligation to invest funds within a community. He suggested that the taking out of a community of a very large part of the funds that ordinarily would go to supplying necessary working capital for its industries might result in harm, and that consequently the companies that get very large premiums or very large proportions of premiums from communities ought to invest in those states. Well, I see no harm, therefore, in our having tried to bring to their attention that that was what we would like for them to do. (Laughter.) You know, gentlemen, I hope it is not treason to suggest that even New England might get into a habit of provincialism. We are too prone to build up our immediate communities first and to fall into the habit of making our investments there, and in order to be led out beyond these small bounds and to break our swaddling clothes and get out into the world, it may not be a mistake to have the advantages of a less developed section of the country but a country with great natural resources and possibilities and a country of native population, traditionally American descen-

dents practically of revolutionary stock who stood shoulder to shoulder with the men of the minute guns of New England, it is not a mistake to have their minds brought somewhat to our sections and our needs and the object of our law. I hope, gentlemen, that you will not condemn this law. At least if you condemn it exercise some mercy thereafter and give it a sort of a day of grace within which to reform and do better. (Laughter.)

Gentlemen, it may not be a mistake in this connection to say that ours is a debtor section of the country; that we depend largely upon other sections for money for investments. We and the West possibly can sympathize with each other, and in that connection I may say that we have pursued the policy of buying at the seller's price and of selling at the buyer's price. It may be a very uneconomical policy, it may be indicative of a very generous people, but it seems that it has never occurred to us to fix the price of cotton. We leave that to New York and to Liverpool. It has never occurred to us to fix the price of what we buy. We buy freely though little from New England. (Laughter.)

Gentlemen you know that the balance of trade of America has for years past, before the war changed conditions, been maintained by the export of cotton and the South has raised cotton at a loss to preserve the balance of trade and the prosperity of this great country. (Laughter and applause.)

Well, gentlemen, there is one thing, poverty is good for the soul (laughter), and we endeavored in a measure to try to raise worthy men, however, poor they might be. Why, gentlemen, you know this country has for many years, with very little interruption, pursued a high tariff policy by which the buyer of manufactured good pays a very large tribute to the manufacturer and we, of the South, have paid that tribute without the venom of a vassal paying it to a feudal lord, but we have paid it cheerfully, possibly upon the principle that the Lord loveth a cheerful giver. (Laughter.) Mr. President and Gentlemen, we have paid that tribute and have scorned to allow any of our products to be given the benefit of a high tariff because of all things we are theorists and men of principle. (Laughter.)

There are other modes of accounting somewhat for our impoverished condition. We have shared in the honor of maintaining the recognition of the nation to the Grand Army of the Republic who saved this glorious Union. We have contributed our share toward the pensions that are paid to the soldiers of the North. Fortunately, our Confederate veterans left to the moderate attention of the treasuries of their poor states, have not suffered. It may be that to a degree they have found use in the fact and benefit in the fact that they acquired a sort of contracted stomach from '61 to '65 when they spent four years in fasting and in fast fighting, but, gentlemen, whatever it be, we of the South have helped to provide ample rations for the numerous men of the North, who as pension-

ers of the republic, eat at the public crib, and only here and there one who has dropped into the South as a resident of Florida or as a tourist or as a casual visitor ever spends any of that money with us.

The result of it all is that we of the South are comparable to the gulf stream in a way. You know the gulf stream flows from the tropics and warms the otherwise cold shores of old England. There is through our system of agriculture and of production and of interchange a golden stream that flows from the South especially to New England and warms the hearts and the fire-sides of her people, but we have no fault to find with New England. We have always been their customers. I know my friend has only good feeling for us as I have only good feeling and admiration for his wonderful section. We buy from them our fine cotton mill machinery, we buy from them every sort of fine manufactured product, we buy from them most of our insurance—most of it—we learned from them the methods of high-brow living (laughter), and we have learned from them the method of providing that basis of wealth for at least a few within a section that will admit of a higher order of culture than is attainable to the man who must have his nose all the time to the grindstone trying to make ends meet and keep his children and his wife from suffering for bare necessities, and in the past we bought from them. In the olden days we bought codfish and there was a day when we bought from them the African negroes. (Laughter.) We have respect and regard for them. We have long lived in close alliance with them. They ought to value us, I don't know what they would say about us. We admire them and hope to learn something from them.

I can only say that I have endeavored somewhat to remove the stigma that was cast upon my state because if there is any one thing that we do learn in the South, and peculiarly in South Carolina, it is to love our state as our mother and to feel that the name of our state and the credit of our state and the reputation of our state for faithful observance of every obligation, financial and what not, is as precious as the virtue of a woman. (Applause.)

Commissioner Hobbs: I ask for the privilege of just one word. (Laughter.)

I sincerely trust that what few words I said did not grieve my friend from South Carolina. At all events I think we must concede that if the sore has not by this time been removed then all Niagara itself could not wash it away. I sincerely trust moreover that as far as my own state is concerned, there may be found in every emergency a son of Massachusetts who can defend that state as well as the Commissioner of South Carolina is defending his. (Applause.)

There is no slight I am sure in not having mentioned South Carolina in the states that provide against the improper use of the funds of their insurance companies. The statutory references to

the insurance law are too voluminous to cover completely and those which are not found in the insurance law itself were of necessity omitted. The references to the insurance law are found in these twenty pages of typewritten manuscript, closely written, numbering somewhere between three and five hundred citations, and that is enough to cover in one paper. (Applause.)

Chairman Donaldson: The next discussion, at least the program reads, is by Hon. Wm. E. Tuttle, Jr., Commissioner of Banking and Insurance, New Jersey. In his absence Deputy C. A. Gough will be heard.

Mr. Gough: Mr. President and Gentlemen, it was a keen disappointment to Commissioner Tuttle on Sunday morning to be informed by his family physician that it would be inadvisable for him to leave home because of the fact that his father is very near his end. He had looked forward in hopeful anticipation of participating in this Convention, it being the first since he assumed office.

He had not committed his intended remarks to writing but I know from conference with him that his intention was to commend very highly the very able, most exhaustive and most illuminating paper of the Massachusetts Commissioner and to endorse unqualifiedly his recommendations.

New Jersey, as the Massachusetts Commissioner has shown, contains no provision with respect to investments of outside insurance companies. We have that ideal, so well expressed by the Massachusetts Commissioner, of confidence in the laws and regulations, of other states that we permit their companies to do business in New Jersey with regard to laws of their home state only. (Applause.)

Chairman Donaldson: The last speaker on the discussion of the paper of Commissioner Hobbs, Hon. Edward Hall, of Texas, is not here.

The next paper this morning is by one of the strangers of the Convention and unknown to most of you. I take great pleasure in introducing to you the Hon. Platt Whitman, Commissioner of Insurance, Wisconsin. (Applause.)

Commissioner Whitman: Mr. President, Ladies and Gentlemen: The subject of my paper is "Should All Types of Carriers be Subject to Uniform Requirements Respecting Reserves and Supervision." Now I can answer that question in one word and perhaps I should do it and let you go to lunch, but I will answer it by the word "Yes" to begin on and then I will discuss the subject and say the same thing but in more diplomatic language. I think every one will agree and nearly everybody does agree that all types of carriers should be subject to the same supervision and subject to the same regulation as to reserves.

Mr. Whitman then read his paper. (To be found in Appendix.)

Chairman Donaldson: The Chair suggests that the Hon. J. G. Brown, of Vermont, introduce himself. (Applause.)

Commissioner Brown: Mr. President and Gentlemen: I didn't receive Mr. Whitman's paper until after I arrived in Louisville. I have been gone and it has been following me around the country. I don't propose to delay you but just bring your attention to one fact that was brought out in his paper in which he says that the statute of his state contemplates that it is more important that the assets of a fire insurance capital be used to either refund to the policy-holder his earned premium or to reinsure the liability in a reputable company than to pay it out for losses suffered in conflagration. Now it seems to me there is a vital question, whether a company that is organized for the purpose of doing an insurance business, in case of its liquidation, should consider the unearned premium as a preferred claim. I think that is really of vital importance and with these remarks and with the endorsement of the statements made by Mr. Whitman, I thank you. (Applause.)

Chairman Donaldson: Hon. Frank L. Travis, of Kansas, is not here. Is there any one here to respond in his place? If not, the next speaker to discuss this paper is the Hon. A. W. Briscoe, of Alabama. Mr. Briscoe was forced to withdraw but he left a paper here and I will read it.

Mr. President:

It is, of course, not to be expected that within the short period of five minutes any one would attempt any character of argument in connection with a matter so comprehensive as that which is now under consideration.

I have thoroughly enjoyed the reading of the splendid paper submitted by the distinguished Commissioner from Wisconsin and it has occurred to me that the only thing left for me to do, with any hope for helpful results, would be to restate some of the well known principles of insurance abstractly, leaving to others the task or correlating these statements in case they should find themselves sufficiently interested to think them over.

I desire to say in the first place that the fundamental principles of insurance are scientific and are as fixed and inexorable as are any other principles known to science. Therefore, no change or variation in the name, method or form of an organization attempting to apply these principles can possibly change or vary the principles themselves. Other principles will be discovered as the science of insurance progresses, but the principles already discovered can never be changed and certainly not by shifting from one class or form of insurance carrier to another.

Second: A sound definition of insurance would be that insurance is the process of equitably distributing the aggregate losses incident to such risks as from their nature come within the class against which it is legitimate to indemnify. Insurance is, therefore, general within its scope and can adequately perform the function of equitably distributing losses only when allowed to function under general and uniform requirements.

Third: The meaning and intent of regulation as applied to the business of insurance is to aid insurance carriers to perform their function of equitably distributing losses. Regulation is, therefore, constructive, and no requirement, either by statute or departmental regulations which is destructive in its nature, can be indulged without injury alike to the insuring public and the carrier.

Fourth: There are now, and perhaps always will be, different classes of insurance carriers, and it is not the province of insurance departments to tell

the insuring public which class of insurance carrier they shall patronize, but it is the solemn duty of insurance departments to use their utmost diligence in an effort to see that whatever insurance carriers may be patronized it is the very best of its class or type.

Fifth: The unearned portion of the insurance premium is not the property of the carrier. It is the property of the assured. It remains the property of the assured until it is legitimately earned by the carrier. Therefore, for a carrier to take from the assured property of the assured, and convert such property to its own use without making and maintaining arrangements in the form of a reserve to guarantee the return of such property to the assured on demand is a violation of the fixed principle of justice and cannot be atoned for by changing the name, form or class of the carrier.

Sixth: When an insurance carrier puts a policy contract into force it assumes a solemn and binding obligation to carry or cause to be carried such contract to maturity, and to fulfill or cause to be fulfilled upon its part every provision of such contract. The carrier enters into such contract with full knowledge that there are many contingencies, upon the happening of either of which such carrier could not fulfill its contract, and with the further knowledge that it can protect both itself and the assured by making proper provision for reinsurance. Therefore, failure to make provision for reinsurance by maintaining the proper reserve is a violation of a basic principle of insurance and is failure upon the part of the carrier itself to do what it persuaded the assured to do: viz: make provision out of its earnings for insurance protection. If carriers will not protect themselves by making provision out of their earnings for insurance, what right have they to advise the public to make such provision?

Seventh: An insurance carrier is under double obligation to make provision out of its earnings for re-insurance for the reason that it puts its policy contracts into force with full knowledge not only that it, like the assured himself, will be subject to the risk of loss for many reasons, but with the full knowledge also that certain matters of expense must be provided for. An insurance carrier can no more absolve itself from this obligation by changing its name, form or class than a husband can relieve himself of the obligations to provide for his family by changing his christian name from John to Jim, or his surname from Jones to Smith.

Eighth: Any type of insurance carrier which attempts to succeed by evading supervision and lowering the standard of requirements will eventually find itself the victim of that class of competition which its lower standards invited and made possible. Therefore, the shortest route to destruction for any insurance carrier is the route along which it moves with least resistance. To choose this route is to choose destruction.

Ninth: Practically speaking, there are today but two classes of insurance carriers: First, that class which recognizes the utter impossibility of giving something for nothing and which makes provision for an adequate rate, an adequate reserve and an adequate surplus. This class of carrier, of whatever type or name, is assured of success. Second, that class of carrier which in their zeal for business still dream of successful banks operating without capital, surplus or reserve. This class of carriers, whether stock companies, mutuals, reciprocals or fraternal, have before them only two alternatives. The one is to awake from the delusions of foolish dreams and give proper consideration to the things without which insurance is impossible and, failing to do this, the other alternative is bankruptcy with its consequent loss to the insuring public.

Tenth: The last thing I want to say is that the insuring public has been, perhaps, more relentlessly imposed upon as a result of the impression that the fundamental principles of insurance can be varied by varying or changing the name or type of the carrier than as a result of any other one erroneous impression, and that this erroneous impression has been the direct result of the wrecking of as many insurance carriers of all types as any other one impression. One faction gives the impression that the stock company succeeds because it is a stock company, another that the mutual will succeed because it is a mutual company, another that the reciprocal will succeed because it is a reciprocal, and

that the fraternal will succeed because it is a fraternal. None of this is true. No insurance carrier will succeed in the end which does not recognize the value of high standards, or requirements maintained by proper and constructive supervision, and which does not recognize the fact that adequate rates must be charged, and adequate provisions, in the way of reserves, constantly maintained.

It is a matter of encouragement to note that notwithstanding the low standard of requirements which find expression in some insurance laws, the high class carriers of all types are coming to recognize these principles in the conduct of their business, being forced thereto not by statutes, but by the law of self preservation, and I verily believe that the time will come when all high-class carriers, of whatever type, will unite in demanding uniform requirements and uniform supervision.

(Applause.)

The program this afternoon I notice is very short, but on account of the entertainment I think it would be well for us to start up here promptly at 2 and start the meeting at 2:15.

On motion the meeting adjourned at 1 o'clock.

WEDNESDAY AFTERNOON SESSION

The meeting convened at 2:15 o'clock P. M., Vice-President Donaldson presiding.

Chairman Donaldson: Reports and communications.

Commissioner Mansfield: Mr. Piper asked me to present this to the Convention, which I am very glad to do, in reference to the action of the National Fraternal Congress asking for the establishment of uniform laws, uniform reports, uniform forms, in connection with Fraternal Benefit Societies. This comes to us from the National Fraternal Congress through Miss West, who is the Supreme Commander of the Woman's Benefit Association of the Maccabees, and it is an official communication from that Congress. I ask that it go to its appropriate committee.

Chairman Donaldson: The report will be received and referred to the Committee on Laws and Legislation.

Any further communications or reports?

The President: The only paper on the program for the afternoon is by the Hon. Stacey W. Wade, successor of our splendid Commissioner, Col. James R. Young, who will read a paper on "Efficiency of Insurance Agents." (Applause.)

Commissioner Wade read his paper. (To be found in Appendix.)

Chairman Donaldson: The discussion on this paper will be led by Hon. Howard J. Brace, of Idaho. (Applause.)

Commissioner Brace:

Mr. President:

Commissioner Wade has stated in his excellent paper that the making of efficient agents rests largely with the companies. This is true, and if the agency

manager, general agent or other company officer is careless in his selection of the company's representatives, the results obtained by that company must necessarily be unsatisfactory. No qualification law that I have yet seen can be depended upon without the co-operation of the company, to prevent the licensing of inefficient agents; they do, of course, reduce such licensing to a minimum, but nevertheless we have many cases before us involving the untrained and poorly trained agent.

As to what qualities an agent should possess to be successful, we have but to turn to the many insurance publications where we will find page after page of directions and instructions to salesmen, some emphasizing this quality and others that. In my opinion, one will succeed as an insurance salesman if he is honest, if he has a thorough knowledge of what he is selling, and will work, with emphasis on the work.

In my state I have found the local chapters of the National Association of Life Underwriters to be of great assistance to the department in matters affecting agents generally, whether members of the association or not. These organizations are composed of the leading agents of the state, and they have for their purpose the elevation of life insurance salesmanship to its proper place among the professions. I predict that they will achieve this result because they are going about it scientifically, they know what they want, are aware of the amount of work necessary to accomplish it, and are willing to put forth the required effort. I have found these people to be willing and ready at all times to co-operate with the department in matters concerning agency difficulties.

A careful reading of the recently published reports of the National officers of this association should convince all of us that here is an organization getting the results we have long looked forward to, and one with which all insurance departments can safely work, feeling assured that the results they work for are as valuable to us as to them—the elimination of the inefficient, increasing the worth of the individual agent to his company and to himself and grouping these successful men together so as to bring about a proper respect for insurance and insurance men.

Chairman Donaldson: The next discussion is by the Hon. John J. Donahue, of New Hampshire. (Applause.)

Commissioner Donahue: Mr. President and Gentlemen: The address of Commissioner Wade for some reason didn't come to my attention until I asked for a copy yesterday, and I am without prepared manuscript. As I sat here this morning and listened to the distinguished gentleman from South Carolina, I appreciated there were advantages in not being obliged to follow a written paper. (Laughter.) It is very easy for me to agree so far with the paper as to say that I believe with companies rests the possibility of correcting the evil referred to.

I am not in accord on the question of part-time men. I am not in accord with the suggestion that qualification blanks are without value. In New Hampshire, one of the very small states, it has always been possible for the Insurance Commissioner to be personally acquainted with the leading representatives of the profession. You will pardon me if I assume to say that for a long time, and now I am personally acquainted with and have the confidence of every general agent, manager, or "special" as he may be called, of the life insurance companies and the casualty companies doing business in New Hampshire, of the leading representatives of the fire insurance companies and many of the special agents of fire companies coming into the state.

My predecessors evidently believed as I do, that with the co-operation of companies these corrections can be well made. So well did they perform their duty along that line that I say to you men, and honestly express that not one single complaint has come to my department during my administration of almost three years because of an inefficient agent, uneducated or untrained, if you wish, of a life or fire company. A few complaints or criticisms have been brought to my attention from the misunderstanding of casualty contracts or health and accident contracts, so well defined and referred to here yesterday, and all those can be counted on the fingers of one hand.

I am convinced that the condition referred to in the paper which prevails in his state and some of your states does not obtain in mine. We have a qualification blank on which we learn the name, age, present employer, occupation, previous training and experience in insurance. I have talked with the general agents of all life and casualty companies, with the officers of the home fire companies and with many specials that come to the state, and have asked them to co-operate in maintaining the dignity of the profession and keeping out—not weeding out, but keeping out—incompetent and inefficient employes. If on that qualification blank it develops that the applicant has had no previous experience, it is the practice of the department to take the matter up by personal correspondence and obtain from the applicant the knowledge they have of the company with which they hope to become allied, the knowledge they have of the contracts that they propose to handle and talk about, and the amount of time they propose to devote to the business, in order to bring out whether or not in the judgment of the department they are competent. In other words, as the law provides suitable persons that intend to hold themselves out in good faith, if it develops that they have had no previous training or experience, have practically no knowledge of the business in which they intend to engage, and are rather indifferent, as shown by their correspondence, the Commissioner who happens to be in charge in New Hampshire today unhesitatingly denies requisition, returns the fee to the company and says the person is not a suitable person to solicit insurance in New Hampshire.

While I would not go as far as Commissioner Donaldson in his work in Pennsylvania, because I am inclined to believe that the necessity does not demand that in New Hampshire, I want to say "Amen" to what he has been doing and proposes to do, which I believe is necessary in that great state where he presides.

Too much cannot be done in my opinion to train and educate men before they begin business. I do believe, however, that the agent, the special agent, the general agent or manager of any company can give sufficient information to the beginner in some lines of insurance to make him fit to go into the field with a rate book.

It happened to be my privilege on assuming office to find three

or four applications from men under twenty-one years of age—applications for life insurance agents. Mr. Merrill had licensed minors for all lines. My immediate predecessor, Mr. Elwell, licensed no minor to solicit insurance in New Hampshire. The question was immediately asked me, "What do you propose to do?" Having been a solicitor of life insurance and having started without a training in a college for that purpose, it occurred to me that a man need not know as much to handle a life rate book and ask his neighbor to confer with the general agent as he would to sell fire insurance where he bound risks. After asking a few questions in relation to the young men, three years ago or thereabouts, on each of the three blanks appeared some words suggesting that the boys had been in France, and I said unhesitatingly that a young man who was old enough to go across to fight to save this country of his, was old enough to solicit life insurance under the immediate direction of a general agent, and so did then and have assumed to license young men over eighteen years of age to solicit life insurance, but no other line.

Now, Mr. Chairman, I want to say that I believe what you are doing in Pennsylvania with your Regional Bureau, if that is what you call it, and with your questionnaires is commendable. We are doing the same thing except in a different way. We are conferring immediately and directly with the representatives of the company and asking for co-operation and are receiving it.

I believe in my state with fewer cities and many towns, that conditions vary vastly from those of other states and that the part-time men, reasonably equipped, are still essential and important to the getting of insurance business. I believe that to the companies belong the responsibility of taking care of the condition under question. I believe that it should be done by moral suasion and not compulsive legislation. (Applause.)

Chairman Donaldson: In the absence of Hon. John C. Bond, of West Virginia, William E. White, Deputy for some years for the department, will be the final speaker in discussing the agent's qualifications. (Applause.)

Mr. White: Mr. President and Gentlemen of the Convention: I am exceedingly sorry that my chief, Mr. Bond, could not be at this splendid convention, because I know that he would have enjoyed himself here, and would also have endeared himself to you all, but I am here as his representative today, and what I have to say upon this question are my own thoughts and my own ideas. We all want efficiency in our departments, we want efficient agents, but I do agree with the last speaker that the conditions in one state are not always the same with others. The great departments of New York and Pennsylvania, with their large forces, may be able to handle the questionnaire and the agency qualification laws, whereas the smaller department of the smaller state, with an insufficient force,

may be so handicapped that it could not do so, however much it may want to.

In our own state in the month of February it was incumbent upon us under our law to license between eight and ten thousand agents in one month with a force of less than ten persons. Now if you will tell me how we could send to each one of those agents a questionnaire and examine into his history and determine and find out his qualifications and license him by the first day of March, with our force, why it would confer a great benefit upon me.

Under our law we place the duty and responsibility of the qualification for an agent upon the company, where I think it belongs. The company must certify to our department that an agent is competent and trustworthy. The agent then becomes the agent of the company and not the insurer.

Under the uniform qualification law which has been suggested by the National Convention of Insurance Agents and which I understand will possibly come before this Convention for its endorsement, I understand the departments will send out their questionnaire after the companies have notified them who the representatives are, and they will investigate the agent and his qualification and then they will license him. Thereby the agent will become, and to a certain extent the department will become, responsible for that agent's acts, because it has investigated him, and it has licensed him and they have not relied upon the endorsement of the company as to his competency and qualifications. Now I don't know how it is in your state, but frequently it occurs where we have to overcome the responsibilities for the acts of an agent, and we want to continue in West Virginia to hold the company responsible for the acts of the agents.

We believe in efficiency. I believe in all the methods possible for educating agents and making them efficient, but the great life companies already in our state, and I know in yours too, have their own questionnaires which are very exhaustive, and then these questionnaires are sent to their state agents and they have to investigate all the answers upon these questionnaires and in turn report and recommend the appointment of those agents. I believe that by throwing the responsibility upon the companies, and their co-operation with the different insurance departments, will do more to bring about the efficiency of agents than all uniform qualification laws that we might have.

You know I am one of those old-fashioned persons that believes that there is sometimes too much law in the country. We are kind of running wild on law, on regulating this and regulating that. That is one of the troubles with our business today—too much regulation. There is too much tendency toward government regulation of business, of railroads and packing houses and everything else. They are even talking about the government owning the mines in my state, and things of that kind. We can have too much

regulation of our insurance companies. I believe the greatest success and the greatest efficiency, gentlemen, will come when with less regulation but with co-operation we can bring about the same results. (Applause.)

Now there is a line of co-operation that I have to suggest now with companies that does not exist in my state, and I presume the same in yours. Companies have the habit of notifying us that they have discontinued the services of such and such agents, but they never tell us why. Now, gentlemen, that is wrong. Lots of times those agents are discontinued for a cause, and the insurance department ought to know it, and the insurance company should keep an alphabetical black list of things of that kind, and immediately when his name comes up to be relicensed by some other company that company ought to be notified of his record. That is not being done, but it ought to be done.

Now these are just extemporaneous remarks, just out of the experience of my own department in the years that I put in there. We have our own fire insurance association, our own state life insurance association, all of them, as the speaker just before said, working in harmony with our department, all with a high ideal of efficiency, all helping to bring about a greater degree of accuracy and efficiency in the agency forces of our state.

In conclusion, gentlemen, this is a matter primarily of the company and its co-operation with the departments of the country, and let us not lumber up our statute books by too much regulation. I thank you. (Applause.)

Chairman Donaldson: There is nothing in the agent's qualification law in Pennsylvania which gives me permission to do five per cent. of what I am doing. Your answer is there.

There is a great deal of difference between a small state and a large one, but here is a great insurance opportunity. Now you are perfectly right about the companies educating the men, and some of them do it, but we have to teach some of them how to do it and force others to do it, and we have done that much. I know a good deal more about that subject than anybody in this room. I want to tell you gentlemen that the benefit of what we have done in our scant way is beyond any comparative way for me to bring before you. The advance in the personnel is remarkable. The decrease in the number of applicants is also remarkable. We have gotten rid, through the fear of the examination they must go through, of a large number of men who are undesirable. Nevertheless, the company thought those men who could produce four fire premiums a year worth while.

In conclusion, no department in this country is either equipped or going to be equipped to handle a big proposition of agents' qualifications. No department, as long as the professional politics prevail, is going to have enough money to do fifty per cent. of what it hopes to do.

I began not only to throw the burden upon the companies, but to throw the burden upon the men in the field. We started a new plan with respect to insurance—it is as old as the hills and nothing new in the world, but it is a change of direction. We have organized in Pennsylvania what we call advisory boards—insurance advisory boards—and we have gone to the senators of the state and presented a plan to them, devised in connection with the insurance federation, which is simply this: that the Life Underwriters, not more than nine and less than five, will have a section of the advisory board; fire the same and casualty the same—three great groups of insurance. There is a general secretary elected by the board; these men are told what to handle, what not to handle and how to handle it and we have found, going through the state of Pennsylvania, the most remarkable acceptance of this plan. A senior member in one city upstate told me he had dreamed for twenty-five years to see an organization of insurance men, but not until the insurance department in my state took the initiative was anything done, and there is where the department can do a thousand per cent. more, gentlemen, by moral persuasion than any company or any group of companies can do. You are welcome to a copy of that plan.

In five years from now I believe the irritating details which we have had to handle, such as complaints against Johnny Jones because he sold a lady a twenty payment life policy and she thought it was a twenty year endowment, and such stuff as that that is now being handled by the men themselves will be handled in that way. I have the greatest faith in this proposition. The mere fact that you gentlemen think it is a company's obligation to teach this agent isn't going to relieve you as insurance commissioners from seeing that that thing is kept up and the contact is always constant between you and the company.

Is there anything more?

On motion, the meeting adjourned at 3:15 o'clock.

THURSDAY MORNING SESSION.

The meeting convened at 10:15 o'clock a. m., Vice-President Donaldson presiding.

Chairman Donaldson: Reports and communications.

Commissioner Phillips: I desire to submit a report of the Executive Committee to the Convention.

The following is the report of the Committee on Blanks for 1921, as approved by the Executive Committee of the National Convention of Insurance Commis-

sioners at its meeting held in New York City on the above date, such approval making the report the act of the Convention:

New York City, May 20, 1921.

To the Honorable Jesse S. Phillips, Chairman of the Executive Committee of the National Convention of Insurance Commissioners:

Sir—The Committee on Blanks herewith submits the following report of the proceedings of its meetings held at the Hotel Commodore in New York City, May 16-20, inclusive. The following changes in the various annual statement blanks are submitted for adoption by the Executive Committee:

Stock Fire Blank.

(Revised Blank effective for 1921.)

1. Page 2, Exhibit II. Amend descriptive matter at top of column (1) by adding "and 33, page 7."

Reason.—To include premiums reported subsequent to 1920 on risks effective prior to 1921.

2. Page 2, Item 33. Change the position of this item by inserting it between present items 35 and 36. Renumber items accordingly.

Reason.—To bring Profit and Loss items together at the bottom of the page.

3. Page 3, Item 29. Change the position of this item by inserting it between present items 36 and 37.

Reason.—See paragraph 2.

4. Page 3, Items 39 and 40. Change the position of these items by inserting them between present items 32 and 33.

Reason.—See paragraph 2.

(Renumber lines on page 3 following line 28.)

5. Page 4, Items 8* and 9 and footnotes. Change references (c) and (d) to (a) and (b).

Reason.—There being no other footnotes on this page, it is advisable to use the first letters of the alphabet.

6. Page 4, Item 39. Eliminate this item.

Reason.—On account of the abrogation of the "Burlington rule."

(Renumber present lines 40, 41 and 42 as 39, 40 and 41; keep same number of lines as at present, item 42 becoming a blank line.)

7. Page 4, Items 40 and 41. Add the words "per Schedule A" and "per Schedule D," respectively.

Reason.—To make the wording consistent with items 25 and 26.

8. Page 5. Insert a new item between present items 14 and 15 to read:
 "Estimated expenses of investigation and adjustment of losses (paid losses, \$.....; unpaid losses, \$.....);
 \$....."

Reason.—Loss adjustment expenses are shown separately from loss payments in Disbursements; accordingly unpaid loss adjustment expenses should be shown separately in Liabilities.

9. Page 5, Items 15 and 16. Change the expression "written subsequent to" to read "effective on and after."

Reason.—To correspond with changes set forth in paragraph 13.

10. Page 5, Item 17. Change the word "written" to read "effective."

Reason.—To correspond with changes set forth in paragraph 14.

NOTE: The references to page and line numbers and dates are made to the 1920 convention blanks, except where otherwise specified. Change year dates and renumber lines in all blanks where necessary.

11. Page 5, Item 17. Change reference reading "page 7, item 48" to read "page 7, item 51."

Reason.—Change in numbering on page 7.
(Renumber lines on page on account of introduction of new item.)

12. Page 6, Exhibit VI. Print asterisks in all columns at lines 1, 9, 17, 25, 33 and 41.

Reason.—To indicate that no entries are to be made therein for the year 1921.

13. Pages 6 and 7, Exhibits VI, VII and VIII. Amend the descriptive matter at the head of these exhibits by changing the expression "written subsequent to" to read "effective on and after."

Reason.—To clarify the exhibits.

14. Page 7, Exhibits IX and X. Amend the descriptive matter at the head of these exhibits by changing the word "written" to "effective."

Reason.—To clarify the exhibits.

15. Page 7, Exhibit VII. Print asterisks in columns (3), (4) and (6) opposite all dates except 1921.

Reason.—To indicate that this exhibit is to be confined to business effective on and after January 1, 1921.

16. Page 7, Exhibit IX. Insert three new items in this exhibit between present items 32 and 33, the new items to read as follows:

"33. Written or renewed during the year.

34. Excess of original premiums over amount received for re-insurance.

35. Totals."

Renumber balance of items on this page.

Reason.—To provide for premiums on risks effective prior to 1921, reported during 1921.

17. Page 8, Items 8 and 9. Eliminate the expression "located anywhere in the United States."

Reason.—These items should apply to all business in the statement wherever located.

18. Underwriting and Investment Exhibit. Change item and line references to agree with numbering on pages 2, 3, 4 and 5 of revised blank, as herein amended.

19. Underwriting Exhibit, Item 2. Change to read "Add Unearned Premiums Dec. 31, 1920, per item 4 of last year's exhibit."

Reason.—To reduce length of description and simplify checking.

20. Underwriting Exhibit, Item 9. Change to read "Agents' Balances and Bills Receivable Not Admitted, Dec. 31, 1920, per item 10 of last year's exhibit."

Reason.—See paragraph 19.

21. Underwriting Exhibit, Item 17. Change to read "Add Salvage and Re-insurance Recoverable Dec. 31, 1920, per item 15 of last year's exhibit."

Reason.—See paragraph 19.

22. Underwriting Exhibit, Item 19. Change to read "Deduct Unpaid Losses Dec. 31, 1920, per item 21 of last year's exhibit."

Reason.—See paragraph 19.

23. Underwriting Exhibit, Item 24. Change to read "Deduct Underwriting Expenses unpaid Dec. 31, 1920, per item 27 of last year's exhibit."

Reason.—See paragraph 19.

24. Investment Exhibit, Item 33. Change to read "Deduct Interest, Dividends and Rents due and accrued Dec. 31, 1920, per item 35 of last year's exhibit."

Reason.—See paragraph 19.

25. Investment Exhibit, Item 36. Change to read "Add Interest and Rents paid in advance Dec. 31, 1920, per item 33 of last year's exhibit."

Reason.—See paragraph 19.

26. Investment Exhibit, Item 54. Change to read "Deduct Investment Expenses unpaid Dec. 31, 1920, per item 57 of last year's exhibit."

Reason.—See paragraph 19.

27. Miscellaneous Exhibit, Item 72. Change to read "Surplus Dec. 31, 1920, per item 73 of last year's exhibit."

Reason.—See paragraph 19.

28. Pages 2 to 11, inclusive. Substitute regular or bold face type for italics wherever the latter type appears.

Reason.—In order that italics may be reserved for items inserted in printed statements, and any changes in wording in the items as printed in the Convention edition.

(For "Uniform Instructions," "New General Interrogatory," "Amendments to Various Pages and Schedules" applicable to this and other blanks, see report of sub-committee contained on pages 29-34, inclusive, of this report.

For a new summary of schedule D, parts 1 and 2, to be incorporated in this and other blanks, see report of sub-committee contained on pages 34 and 35 of this report.)

Mutual Fire Blank.

(Revised 1921 Blank.)

29. Page 2, Exhibit II. Amend descriptive matter at top of column (1) by adding "and 30, page 7."

Reason.—See paragraph 1.

30. Page 2, Item 31. Change the position of this item by inserting it between present items 32 and 33.

Renumber items accordingly.

Reason.—See paragraph 2.

31. Page 3, Item 28. Change the position of this item by inserting it between present items 35 and 36.

Renumber items accordingly.

Reason.—See paragraph 3.

32. Page 5. Insert a new item between present items 13 and 14 to read: "Estimated expenses of investigation and adjustment of losses (paid losses, \$.....; unpaid losses, \$.....),"
\$....."

Reason.—See paragraph 8.

33. Page 5, Items 14 and 15. Change the expression "written subsequent to" to read "effective on and after."

Reason.—See paragraph 9.

34. Page 5, Item 16. Change the word "written" to read "effective."

Reason.—See paragraph 10.

(Renumber lines on page on account of introduction of new item.)

35. Page 5, Item 16. Change reference reading "page 7, item 46" to read "page 7, item 49."

Reason.—See paragraph 11.

36. Pages 6 and 7, Exhibits VI, VII and VIII. Amend the descriptive matter at the head of these exhibits by changing the expression "written subsequent to" to read "effective on and after."

Reason.—See paragraph 13.

37. Page 7, Exhibits IX and X. Amend the descriptive matter at the head of these exhibits by changing the word "written" to read "effective."

Reason.—See paragraph 14.

37A. Page 7, Exhibit VII. Print asterisks in columns (3), (4) and (6) opposite all dates except 1921.

Reason.—See paragraph 15.

38. Page 7, Exhibit IX. Insert three new items in this exhibit between present items 29 and 30, the new items to read as follows:

"30. Written or renewed during the year.

31. Excess of original premiums over amount received for reinsurance.

32. Totals."

Renumber balance of items on this page.

Reason.—See paragraph 16.

39. Underwriting and Investment Exhibit. Change item and line references to agree with numbering on pages 2, 3, 4 and 5 of revised blank, as herein amended.

40. Underwriting Exhibit, Item 2. Change to read "Add Unearned Premiums Dec. 31, 1920, per item 4 of last year's exhibit."

Reason.—See paragraph 19.

41. Underwriting Exhibit, Item 9. Change to read "Agents' Balances and Bills Receivable Not Admitted Dec. 31, 1920, per item 10 of last year's exhibit."

Reason.—See paragraph 19.

42. Underwriting Exhibit, Item 17. Change to read "Add Salvage and Reinsurance Recoverable Dec. 31, 1920, per item 15 of last year's exhibit."

Reason.—See paragraph 19.

43. Underwriting Exhibit, Item 19. Change to read "Deduct Unpaid Losses Dec. 31, 1920, per item 21 of last year's exhibit."

Reason.—See paragraph 19.

44. Underwriting Exhibit, Item 24. Change to read "Deduct Underwriting Expenses unpaid Dec. 31, 1920, per item 27 of last year's exhibit."

Reason.—See paragraph 19.

45. Investment Exhibit, Item 33. Change to read "Deduct Interest, Dividends and Rents due and accrued Dec. 31, 1920, per item 35 of last year's exhibit."

Reason.—See paragraph 19.

46. Investment Exhibit, Item 36. Change to read "Add Interest and Rents paid in advance Dec. 31, 1920, per item 38 of last year's exhibit."

Reason.—See paragraph 19.

47. Investment Exhibit, Item 54. Change to read "Deduct Investment Expenses unpaid Dec. 31, 1920, per item 57 of last year's exhibit."

Reason.—See paragraph 19.

48. Miscellaneous Exhibit, Item 70. Change to read "Surplus Dec. 31, 1920, per item 71 of last year's exhibit."

Reason.—See paragraph 19.

49. Pages 2 to 11, inclusive. Substitute regular or bold face type for italics wherever the latter type appears.

Reason.—See paragraph 28.

(FOR "UNIFORM INSTRUCTIONS," "NEW GENERAL INTERROGATORY," "AMENDMENTS TO VARIOUS PAGES AND SCHEDULES" APPLICABLE TO THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 29-34, INCLUSIVE OF THIS REPORT.

FOR A NEW SUMMARY OF SCHEDULE D, PARTS 1 AND 2, TO BE INCORPORATED IN THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 34 AND 35 OF THIS REPORT.

NEW MUTUAL FIRE BLANK FOR COMPANIES' RETURNS FOR YEAR ENDING DECEMBER 31, 1921, REFERRED TO ON PAGES 24 AND 25 OF THIS REPORT.)

Life Blank.

50. Page 2, Item 41. Change the position of this item by inserting it between items 42 and 43.

Renumber items accordingly.

Reason.—See paragraph 2.

51. Page 3, Item 44. Change the position of this item by inserting it between present items 46 and 47.

Renumber items accordingly.

Reason.—See paragraph 3.

51A. Page 4, Item 24. Add the words "per Schedule S."

Reason.—New schedule to be printed on page 42 following Schedule P.

52. Page 4, Items 43 and 44. Add the words "per Schedule A" and "per Schedule D," respectively.

Reason.—See paragraph 7.

53. Page 5, Item 8. Change to read "Extra Reserve for total and permanent disability benefits (less \$..... reinsurance) \$.....; and for additional accidental death benefits (less \$..... reinsurance) \$..... included in life policies."

Reason.—To provide for deduction of reinsurance.

54. Page 5, Item 23. Change to read "Gross premiums paid in advance, including surrender values so applied, less discount, if any."

Reason.—To clarify the item.

55. Page 8, Gain and Loss Exhibit, Item 2. Change to read "Deduct Gross Uncollected and Deferred Premiums of the previous year, per item 4 of last year's exhibit."

Reason.—See paragraph 19.

56. Page 8, Gain and Loss Exhibit, Item 8. Change to read "Add Gross Premiums paid in advance December 31 of previous year, per item 6 of last year's exhibit."

Reason.—See paragraph 19.

57. Page 8, Gain and Loss Exhibit, Item 13. Change to read "Deduct Insurance Expenses unpaid December 31 of previous year (including \$..... loading on uncollected and deferred premiums), per item 15 of last year's exhibit."

Reason.—See paragraph 19.

57A. Page 8, Gain and Loss Exhibit, Item 18. Change reference reading "item 46, page 3" to read "item 45, page 3."

Reason.—On account of renumbering of page 3.

58. Page 8, Gain and Loss Exhibit, Item 19. Change to read "Deduct Interest and Rents due and accrued December 31 of previous year, per item 21 of last year's exhibit."

Reason.—See paragraph 19.

59. Page 8, Gain and Loss Exhibit, Item 25. Change to read "Add Interest and Rents paid in advance December 31 of previous year, per item 23 of last year's exhibit."

Reason.—See paragraph 19.

59A. Page 8. Gain and Loss Exhibit, Item 28. Change to read "Deduct Investment Expenses unpaid December 31 of previous year, per item 30 of last year's exhibit."

Reason.—See paragraph 19.

60. Page 8. Gain and Loss Exhibit, Item 37. Change to read "Deduct Death Losses unpaid December 31 of previous year, per item 39 of last year's exhibit."

Reason.—See paragraph 19.

61. Page 9. Gain and Loss Exhibit, Item 76. Change to read "Special Funds and Special Reserves December 31 of previous year, per item 76 of last year's exhibit."

Reason.—See paragraph 19.

62. Page 9. Gain and Loss Exhibit, Item 107. Change to read "Surplus December 31, 1920, per item 108 of last year's exhibit."

Reason.—See paragraph 19.

63. Schedule B, Part 2. Eliminate the descriptive matter at the top of this schedule and substitute in lieu thereof the following:

"Showing all MORTGAGE LOANS MADE OR INCREASED during 1921:

(A) on farm properties actually in use for farming purposes;

(1) where the loan exceeds 60% of the value of the land.

(2) where more than 25% of the land is unfit for farming purposes, (swamp, timber, desert, etc.) except where the loan does not exceed 60% of the value of the arable land; (B) on other properties; (1) where the loan is \$10,000.00 or over, (2) where the loan exceeds 60% of the combined value of the land and buildings, except where the loan is amortized over a period of 15 years, or less, and the buildings are covered by fire insurance."

Reason.—To show more clearly what loans are to be included in the schedule.

63A. Pages 2 to 9, inclusive. Substitute regular or bold face type for italics wherever the latter type appears.

Reason.—See paragraph 28.

63B. Page 42. Add * schedule of reinsurance on paid and unpaid losses and claims to be called "Schedule S."

(FOR "UNIFORM INSTRUCTIONS," "NEW GENERAL INTERROGATORY," "AMENDMENTS TO VARIOUS PAGES AND SCHEDULES" APPLICABLE TO THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 29-34, INCLUSIVE OF THIS REPORT.

FOR A NEW SUMMARY OF SCHEDULE D, PARTS 1 AND 2, TO BE INCORPORATED IN THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 34 AND 35 OF THIS REPORT.)

*For copy of schedule see page 14.

SCHEDULE S

Showing Names and Locations of Companies and Amounts Recoverable for Reinsurance on Paid and Unpaid Losses and Claims.

NAME OF COMPANY	LOCATION	(1) PAID LOSSES		(2) UNPAID LOSSES	
		Dollars	Cts.	Dollars	Cts.
Totals,					

(Copy of schedule referred to in Paragraph 63B, Page 14)

Miscellaneous Blank.

Note: Attention is called to the new classification of lines of business agreed upon at the May, 1920, meeting of the Committee of Blanks (see page 28 Report of Committee on Blanks for 1920.) The new classification, amended only as to a change in the position of one item, is set forth below:

1. Accident
2. Health
3. Auto. liability
4. Liability, other than auto.
5. Workmen's compensation
6. Fidelity
7. Surety
8. Plate glass
9. Burglary and theft
10. Credit
11. Sprinkler
12. Steam boiler
13. Engine and fly wheel
14. Auto. property damage and collision
15. Property damage and collision other than auto.
16. Live stock

This new classification extends to pages 2, 3, 4, 5, 6, 7 and 21, and requires renumbering pages 5 and 21.

64. Page 2, Item 36. Change the position of this item by inserting it between present items 37 and 38.

Renumber items on page beginning with present item 36A as 36-42 inclusive.

Reason.—See paragraph 2.

65. Page 2, Footnote (b). Amend dates in footnote as follows (dates refer to 1921 blank):

1920 \$.....	1919 \$.....	1918 \$.....
1917 \$.....	1916 \$.....	Prior to 1916 \$.....

Reason.—So that this footnote will be consistent with footnote (a).

66. Page 3, Item 52. Change the position of this item by inserting it between present items 54 and 55.

Renumber items on page beginning with present items 52A as 52-59, inclusive.

Reason.—See paragraph 2.

67. Page 4, Items 52 and 52. Add the words "per Schedule A" and "per Schedule D," respectively.

Reason.—See paragraph 7.

68. Pages 8 and 9. Change item references in items 4, 8, 13, 17, 31 and footnote (c), page 8, and items 47, 52, 53, 59, 60 and 86, page 9, to agree with the renumbering of pages 2, 3 and 5.

69. Page 8. Underwriting Exhibit, Item 2. Change to read "Add Unpaid Return and Reinsurance Premiums Dec. 31, 1920, per item 4 of last year's exhibit."

Reason.—See paragraph 19.

70. Page 8. Underwriting Exhibit, Item 6. Change to read "Add Unearned Premiums Dec. 31, 1920, per item 8 of last year's exhibit."

Reason.—See paragraph 19.

71. Page 8. Underwriting Exhibit, Item 19. Change to read "Bills Receivable and Premiums in Course of Collection Not Admitted Dec. 31, 1920, per item 20 of last year's exhibit."

Reason.—See paragraph 19.

72. Page 8. Underwriting Exhibit, Item 27. Change to read "Add Salvage and Reinsurance Recoverable Dec. 31, 1920, per item 25 of last year's exhibit."

Reason.—See paragraph 19.

73. Page 8. Underwriting Exhibit, Item 29. Change to read "Deduct Unpaid Losses Dec. 31, 1920, per item 31 of last year's exhibit."

Reason.—See paragraph 19.

74. Page 8. Underwriting Exhibit, Item 34. Change to read "Deduct Underwriting Expenses unpaid Dec. 31, 1920, per item 37 of last year's exhibit."

Reason.—See paragraph 19.

75. Page 9. Investment Exhibit, Item 45. Change to read "Deduct Interest, Dividends and Rents due and accrued Dec. 31, 1920, per item 47 of last year's exhibit."

Reason.—See paragraph 19.

76. Page 9. Investment Exhibit, Item 48. Change to read "Add Interest and Rents paid in advance Dec. 31, 1920, per item 50 of last year's exhibit."

Reason.—See paragraph 19.

77. Page 9. Investment Exhibit, Item 66. Change to read "Deduct Investment Expenses unpaid Dec. 31, 1920, per item 69 of last year's exhibit."

Reason.—See paragraph 19.

78. Page 9. Miscellaneous Exhibit, Item 85. Change to read "Surplus Dec. 31, 1920, per item 86 of last year's exhibit."

Reason.—See paragraph 19.

79. Page 22, Schedule J. Transfer columns 12 to 17, inclusive, to come immediately after column 7.

Renumber columns accordingly.

Reason.—To bring together the columns of most importance.

80. Page 24, Schedule K. Transfer columns 12 and 13 to come immediately after column 7.

Renumber columns accordingly.

Reason.—See paragraph 79.

81. Page 27. Schedule P, Part II. Amend column headed "Years in which compensation policies were issued" to read as follows (dates refer to 1921 blank):

First period
Prior to 1912
1912
1913
1914
1915
1916
1917
1918
Total first period
Second period
1919
1920
1921
Total second period
Grand Total

Reason.—For auditing purposes it is desirable to have complete data in this schedule.

82. Schedule P, Parts I and II. Amend the descriptive matter at the head of columns 14 and 39 by adding the expression "If negative enter '0.'"

Reason.—In order to exclude negative values.

82A. Schedule P, Part III, Item (51). Change item reference from "line 17" to "line 16."

Reason.—On account of renumbering of page 5.

83. Page 30, Schedule F, Part VI. Amend the first column of both parts of this schedule to read as follows (dates refer to 1921 blank):

Prior to 1912
1912
1913
1914
1915
1916
1917
1918
1919
1920
1921
Total

Reason.—See paragraph 81.

84. Pages 2 to 9, inclusive. Substitute regular or bold face type for italics wherever the latter type appears.

(FOR "UNIFORM INSTRUCTIONS," "NEW GENERAL INTERROGATORY," "AMENDMENTS TO VARIOUS PAGES AND SCHEDULES" APPLICABLE TO THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 29-34, INCLUSIVE OF THIS REPORT.

FOR A NEW SUMMARY OF SCHEDULE D, PARTS 1 AND 2, TO BE INCORPORATED IN THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 34 AND 35 OF THIS REPORT.

FOR SUMMARY OF REPORT OF SPECIAL COMMITTEE RELATIVE TO PAST MATTERS PERTAINING TO THE MISCELLANEOUS BLANK AND INSTRUCTIONS REGARDING FUTURE ACTION, SEE PAGE 26 OF THIS REPORT.)

Fraternals Blank.

85. Pages 2 and 3, Columns 1, 2, 3 and 6. Amend the descriptive matter at the head of these columns by substituting the word "Fund" for the word "Funds."

Reason.—Each division of the funds of the Societies constitutes a "fund."

85A. Page 6, Exhibit VI. Eliminate the word "Incurred" from the descriptive matter at the top of the schedule.

Reason.—See paragraph 85C.

85B. Page 6, Exhibit VI, Column 3. Change the descriptive matter at the top of this column to read "Number of Deaths Reported During the Year."

Reason.—See paragraph 85C.

85C. Page 6, Exhibit VI, Column 4. Change the descriptive matter at the top of this column to read "Death Losses Reported During the Year."

Reason.—Exhibit VI should be made up to correspond with Exhibit VII, that is on the basis of "reported" deaths.

86. Pages 2 to 9, inclusive. Substitute regular or bold face type for italics wherever the latter type appears (except in case of the Special Deposit Schedule.)

Reason.—See paragraph 28.

(FOR "UNIFORM INSTRUCTIONS," "NEW GENERAL INTERROGATORY," "AMENDMENTS TO VARIOUS PAGES AND SCHEDULES" APPLICABLE TO THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 29-34, INCLUSIVE OF THIS REPORT.

FOR A NEW SUMMARY OF SCHEDULE D, PARTS 1 AND 2, TO BE INCORPORATED IN THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 34 AND 35 OF THIS REPORT.

NEW FRATERNAL VALUATION REPORT AND GAIN AND LOSS EXHIBIT REFERRED TO ON PAGES 27 AND 28 OF THIS REPORT.)

Assessment Life and Accident Blank.

87. Pages 2 and 3, Columns 1, 2, 3 and 6. Amend the descriptive matter at the head of these columns by substituting the word "Fund" for the word "Funds."
Reason.—See paragraph 85.

87A. Page 6, Exhibit VI. Eliminate the word "Incurred" from the descriptive matter at the top of the schedule.

Reason.—See paragraph 87C.

87B. Page 6. Exhibit VI. Column 4. Change the descriptive matter at the top of this column to read "Number of Deaths Reported During the Year."

Reason.—See paragraph 87C.

87C. Page 6. Exhibit VI. Column 5. Change the descriptive matter at the top of this column to read "Death Losses Reported During the Year."

Reason.—Exhibit VI should be made up to correspond with Exhibit VII, that is on the basis of "reported" deaths.

88. Pages 2 to 8, inclusive. Substitute regular or bold face type for italics wherever the latter type appears.

Reason.—See paragraph 28.

(FOR "UNIFORM INSTRUCTIONS," "NEW GENERAL INTERROGATORY," "AMENDMENTS TO VARIOUS PAGES AND SCHEDULES" APPLICABLE TO THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 29-34, INCLUSIVE OF THIS REPORT.)

FOR A NEW SUMMARY OF SCHEDULE D, PARTS 1 AND 2, TO BE INCORPORATED IN THIS AND OTHER BLANKS, SEE REPORT OF SUB-COMMITTEE CONTAINED ON PAGES 34 AND 35 OF THIS REPORT.)

Stock Fire Blank.

The changes contained in paragraphs 1, 9, 10, 11, 12, 13, 14, 15 and 16 of this report were adopted in consequence of a conference between the Committee of Uniform Accounting of the National Board of Fire Underwriters, represented by Mr. Harry A. Smith, and the standing sub-committee of the Committee on Blanks, represented by Mr. Thomas F. Tarbell. The changes in question are designed to make clear the procedure to be followed in reporting under the provisions of the revised blank.

The Committee gave consideration to the resolution of the Executive Committee adopted by the National Convention on December 7, 1920, relative to the reporting of business transacted in foreign countries (see pages 5 and 6 December Proceedings). Inasmuch as the resolution received wide publicity and every fire company was provided with a copy thereof, it was believed unnecessary to make any modifications in the statement blank.

Mutual Fire Blank.

The committee appointed at the May, 1920, meeting to prepare a new blank for Mutual Fire Companies submitted the following report which was adopted:

Henry D. Appleton,

Boston, April 28, 1921.

Chairman Committee on Blanks.

Dear Sir: At a meeting of the Committee on Blanks held in New York City, May 17-19, 1920, you appointed a committee consisting of the representatives of the States of Massachusetts, Connecticut and New York to prepare a blank for use of the Mutual Fire Companies, said blank to follow as nearly as possible the requirements of the recently revised Stock Fire Blank.

Accordingly the Committee, composed of A. E. Linnell, Thomas F. Tarbell and Charles Hughes representing respectively the states above mentioned, met in Boston on Jun 15, 1920, at the call of the chairman.

On that day a blank was prepared and on June 16 a letter was mailed to each Insurance Commissioner in the United States reading as follows:

"June 16, 1920.

Dear Sir: By reference to the last report of the Committee on Blanks, page 29, you will note that a committee was appointed with full authority, subject to the approval of the Executive Committee, to prepare a new blank for Mutual Fire Companies and to present specimen copies thereof to the companies not later than November, 1920.

The Executive Committee having approved the proposition, an agreement has been made upon the form to be used and you are respectfully requested to furnish an estimate of the number of companies incorporated in your state that will use the Convention blank.

Kindly make reply as early as possible to the undersigned in order that the Committee may know the number of blanks to have printed.

After the blanks are printed, the number required in your state will be sent to you for distribution among your companies.

Very truly yours,

ARTHUR E. LINNELL, Chairman."

Responses were received from thirty-six states indicating that 505 companies would require blanks. An order was immediately placed with the Brandon Printing Company for seven hundred copies. These were printed and shipped from Nashville, Tennessee, to Boston on September 27th, but were delayed in delivery by the express company until October 18th.

On October 19th each Commissioner was sent his quota with extra copies in proportion to his order accompanied with the following letter:

"October 19, 1920.

Dear Sir: We beg to call your attention to our letter of June 16, 1920, and to inform you that the number of blanks designated by you in your reply thereto has been sent to you under other cover.

The last report of the Committee on Blanks, Page 29, approved by the Executive Committee of the National Convention of Insurance Commissioners and the letter above referred to, contain complete information relative to the purpose of printing these blanks and the disposition thereof.

Very truly yours,

ARTHUR E. LINNELL, First Deputy Commissioner."

The Committee assumes that the Commissioners were able to present these specimen copies to the companies interested, before, or during November, 1920.

Respectfully submitted,

ARTHUR E. LINNELL, Chairman.

Miscellaneous Blank.

The Special Committee on the Miscellaneous Blank, consisting of representatives of Massachusetts, New York and Connecticut, to which was referred a revision of the Disbursement page (see page 28 Report of Committee on Blanks for 1920) received a communication from the companies interested, indicating that they did not desire any change in said page at this time.

As a proposition for a change in the Disbursement page similar to that of last year has again been presented to the full Committee (this time by the Connecticut Department), it was voted that the above Special Committee be continued for the purpose of considering such changes and to report on this subject to the full Committee at its May, 1922, meeting.

The proposed items affected are the general items following item 28, page 3 (1920 blank).

The Committee was also instructed to confer with the companies relative to

making a change in the present blank to provide for a separation of Automobile Property Damage and Automobile Collision, with the understanding that, if, as a result of this conference the Committee decides to favor such separation, the changes become effective on January 1, 1922.

Fraternal Blank.

Page 8, December, 1920, Proceedings National Convention of Insurance Commissioners carries the report of the Executive Committee reviewing its action on reports dated May 17, 1920, sub-committee on Fraternal Blanks—Committee on Blanks.

Sections (a) and (b) and corresponding recommendations, re: "Revision of the Fraternal Valuation Report Blank" were adopted. The sub-committee prepared and was ready to present a report in connection with the changes to be made in the Fraternal Valuation Report Blank. Attached thereto was a modified Valuation Report Blank. The sub-committee stated that it would prefer to give further consideration to the modified Valuation Report Blank before having it acted on by the Committee on Blanks and called attention to the fact that the sub-committee on Fraternal Blanks appointed at the meeting in May, 1919, has lost three members through resignations so that at the present meeting but two active members remain—Hipp, New York, and Brunnuell, Wisconsin; Ankers, Virginia, intending to leave state service on June 1st.

It was determined that the three vacancies should be filled by new appointments. The following appointments were made: Legris, Rhode Island; Williams, Illinois; Tarbell, Connecticut, thus making the personnel of the Committee, Messrs. Hipp, New York, Chairman; Brunnuell, Wisconsin; Legris, Rhode Island; Williams, Illinois; Tarbell, Connecticut.

It was decided by the Committee on Blanks that the above sub-committee should give further consideration to the Fraternal Valuation Report Blank at a meeting to be held at such date as to enable it to present a report to the Chairman of the Committee on Blanks at a date prior to the annual convention of the Commissioners at Louisville, so that such report could then be acted upon by the Executive Committee; that the amended Valuation Report Blank should be printed after its adoption by the Executive Committee and furnished all fraternal societies so that every opportunity may be given for a full expression of opinion on the part of any persons interested in the amendments prior to the final adoption of this blank to be used in connection with the Fraternal annual statement reports for the year ending December 31, 1922.

The sub-committee will give attention to the Gain and Loss Exhibit referred to it (submission 3, Report Executive Committee, page 8—December Proceedings) and report thereon to the Executive Committee at the earliest practicable date.

All Blanks.

The following two Committee Reports adopted by the Committee apply to all blanks:

New York, N. Y., May 16, 1921.

Hon. H. D. Appleton, Chairman,
Committee on Blanks,

National Convention of Insurance Commissioners.

Sir: Your sub-committee appointed at the May, 1920, meeting of the Committee on Blanks to consider the advisability of: (1) "Uniform Instructions" as a requirement of the Convention blanks; (2) Specific provisions for inserting the name of company, society or association on various pages and schedules; (3) Substituting the expressions "Current Year," "Year of Statement," "Previous Year," etc. in lieu of specific dates (see Report of Committee on Blanks dated May 19, 1920, page 31), begs to submit the following report and recommendations:

Suggested Uniform "Instructions to Companies" to be carried on the inside (or outside) front cover of the various annual statement blanks, over the signature of the supervising insurance official.

NOTE: In making the following suggestions, the Committee attempts to recommend only such instructions as will be applicable (with such modifications as may be necessary) to all states; it is intended that any state may add such other instructions as its laws or requirements may demand. The matter in parenthesis is to be considered as optional.

Stock Fire Blank.

(1) Please acknowledge (on enclosed postal) the RECEIPT OF THE BLANKS directly they arrive.

(2) **DATE OF FILING:** The statement is required to be filed on or before (This date is fixed by statute, and no extension of time can be granted.)

(3) The **NAME OF THE COMPANY** must be plainly written or stamped at the top of all pages and schedules (and duplicate schedules) and also upon all inserted schedules and loose sheets.

(4) **BLANK SCHEDULES** will not be accepted as meaning anything. If no entries are to be made, write "None" or "Nothing" across the schedule in question.

(5) **CHECK MARKS** will not be accepted as answers to interrogatories.

(6) The **BOOK VALUE** of Real Estate, Bonds and Stocks, and the amount loaned on Mortgages and Collateral Securities entered as Ledger Assets, page 4, must in all cases prove with the "book value" of the preceding year, after taking into consideration the items affecting them, as shown on pages 2 and 3 and the corresponding schedules.

(7) The various lines on pages 2, 3 and 4 carrying **INTEREST, RENT, PROFIT AND LOSS ITEMS, DEPRECIATION, APPRECIATION, ETC.**, must check with the data relating to the same transactions as set forth in the appropriate schedules.

(8) A company **OCCUPYING ITS OWN BUILDING** in whole or in part should enter an adequate rent for its own occupancy in Schedule A, and also on pages 2 and 3.

(9) The schedules of **BONDS AND STOCKS** should be grouped in the following order, and each group arranged alphabetically, viz.,

BONDS

- (a) Government
- (b) State, province, county and municipal
- (c) Railroad
- (d) Miscellaneous

STOCKS

- (a) Railroad
- (b) Bank and trust company
- (c) Miscellaneous

(10) **BANK BALANCES.** In compiling Schedule N enter bank balances not on interest December 31st before those on interest and show **SUB-FOOTING** of each class to agree with amounts stated in items 6 and 7, page 4.

(11) **CREDIT FOR INTEREST DUE AND ACCRUED** on all bonds should be taken in "Interest due and accrued," Non-Ledger Assets. The market value of bonds in default already includes interest due and accrued; accordingly such interest should be deducted in "Assets Not Admitted." No credit will be allowed for anticipated or declared dividends on stocks except in the case of the declared and unpaid dividends on stocks which have been sold ex-dividend by the company prior to December 31st.

(12) **PROFIT AND LOSS** entries must be itemized and should be entered **GROSS** in both Income and Disbursements; general expense items must also be itemized and entered in sufficient detail to indicate their precise nature. U. S. Branches of Foreign Companies must show remittances to and from Home Office **GROSS** in Income and Disbursements.

(13) If the Annual Statement and Schedules do not contain the information asked for in the blank, or are not prepared as requested above, they will not be accepted by this department.

Mutual Fire Blank.

Carry same instructions as for Stock Fire Blank, omitting reference to foreign companies in Instruction (12).

Life Blank.

Carry same instructions as for Stock Fire Blank, with the following modifications and exception:

Change schedule reference in Instruction (10) from "Schedule N" to "Schedule E," and item references from "items 6 and 7" to "items 8 and 9."

Omit reference to foreign companies in Instruction (12).

Miscellaneous Blank.

Carry same instructions as for Stock Fire Blank, and the following additional instruction:

(14) ADVANCES ON CONTRACT entered as Ledger or Non-ledger Assets should also be entered in "Assets Not Admitted."

Fraternal Blank.

Use the heading "Instructions to Societies" in lieu of "Instructions to Companies."

Carry same instructions as for Stock Fire Blank with the following modifications and exception:

Change the word "Company" to read "Society" in Instructions (3), (8) and (11).

Omit the reference to foreign companies in Instruction (12).

Assessment Life and Accident Blank.

Use the heading "Instructions to Associations" in lieu of "Instructions to Companies."

Carry same instructions as for Stock Fire Blank with the following modifications and exception:

Change the word "Company" to read "Association" in Instructions (3), (8) and (11).

Omit the reference to foreign companies in Instruction (12).

All Blanks.

Add a new General Interrogatory reading as follows:

"Have the instructions printed on the inside (or outside) front cover of this blank been followed in every detail? Answer"

Suggested amendments to various pages and schedules of the various annual statement blanks to provide for inserting the name of the company, society or association.

STOCK FIRE, MUTUAL FIRE, LIFE AND MISCELLANEOUS BLANKS.

Eliminate the printed matter, if any, appearing at the top of pages 2-10 inclusive (pages 2-12 inclusive of the 1921 Stock Fire and Mutual Fire Blanks), and insert the following at the top of each such page:

"Annual Statement of the.....
(Write or Stamp Name of Company)"

Change the note on page 10 (page 12 of the 1921 Stock Fire and Mutual Fire Blanks) relative to separate schedules, to read as follows:

"In case the following schedules do not afford sufficient space, companies may furnish them on separate forms, provided the same are upon paper of like size and arrangement, contain the information asked for herein, and have the name of the company printed or stamped at the top thereof."

Fraternal and Assessment Life and Accident Blanks.

Eliminate the printed matter appearing at the top of pages 2, 4, 6 and 8, and insert the following at the top of pages 2-9 inclusive:

"Annual Statement of the.....
(Write or Stamp Name of Society or Association.)"

All Blanks.

Amend each page containing a schedule or schedules by eliminating the printed matter at the top of the page, if any, and inserting the dotted line referred to above at the top of the page or on the left-hand side of the page, according as the schedules are in a horizontal or vertical position. Insert beneath the dotted line "(Write or Stamp Name of Company)" in case of the Fire, Life and Miscellaneous Blanks, and "(Write or Stamp Name of Society or Association)" in case of the Fraternal and Assessment Life and Accident Blanks. In case of those schedules now making provision for inserting name of company, society or association, amend by eliminating the space for such provision and any part of the descriptive matter required to be eliminated on account of such amendment.

The advisability of substituting the expressions "Current Year," "Year of Statement," "Previous Year," etc. for specific dates.

After giving careful consideration to the matter, your sub-committee, although appreciating that such changes would have certain advantages, especially from the standpoint of the printing of the blanks, is nevertheless of the opinion that in the interests of clarity and definiteness the use of specific dates should not be abandoned, and it accordingly recommends that no change be made in the blanks in the above respect.

Respectfully submitted,

THOMAS F. TARBELL, Chairman

CHARLES HUGHES

JEAN M. LEGRIS.

New York, May 18, 1921.

Hon. Henry D. Appleton, Chairman,
Committee on Blanks,

National Convention of Insurance Commissioners,

Sir: Your sub-committee appointed at the present meeting of the Committee on Blanks to prepare a summary of Bonds and Stocks to be incorporated in the various annual statement blanks, submits the following report and recommendations:

1. Amend the descriptive matter relative to grouping of bonds and stocks contained in the notes printed in the upper left hand corner of Schedule D, Parts 1 and 2, by adding thereto the following sentence:

"Show sub-totals for each group."

2. Add a new part following Schedule D, part 2 to be known as "Schedule D.—Summary," the new part to bring together the sub-totals which will appear in Schedule D, parts 1 and 2 (*copy of proposed summary is attached hereto and made a part of this report.)

3. No further modification of the blanks will be necessary in case of the Stock Fire, Mutual Fire, Fraternal and Assessment Life and Accident Blanks. In order to provide for the extra page in the Life and Miscellaneous Blanks, the following changes should be made:

Life Blank: Print all three parts of Schedule C on one page.

* For copy of summary see page 36.

Miscellaneous Blank: Print Schedules G and O on one page.

Respectfully submitted,

THOMAS F. TARBELL,
NELSON B. HADLEY,
SAM'L W. McCULLOCH.

Respectfully submitted,

HENRY D. APPLETON, New York,
Chairman

R. E. ANKERS, Virginia
S. W. McCULLOCH, Pennsylvania
WALTER ROBINSON, Ohio
J. F. WILLIAMS, Illinois
ARTHUR E. LINNELL, Massachusetts
THOMAS F. TARBELL, Connecticut
EDWARD T. BURRE, North Carolina
JEAN M. LEGRIS, Rhode Island
H. G. BRUNNQUELL, Wisconsin.

Attest:

CHARLES S. CRIPPEN,
Secretary of Committee.

CHARLES HUGHES,
Acting as Secretary after first day.

NOTE: Messrs. A. M. Hsight, Iowa; Leon W. Helson, Maine; Leonhard T. Hands, Michigan, and W. B. Young, Nebraska; members of the Committee, were unable to be present at the annual meeting.

SCHEDULE D—SUMMARY
BONDS AND STOCKS OWNED DECEMBER 31, 1921

Copy of Summary referred to on page 34.

DESCRIPTION	Book Value	Par Value	Market Value. (excluding accrued interest)	Actual Cost (excluding accrued interest)	*Amortized or Investment Value
BONDS					
Government	\$	\$	\$	\$	\$
State, Province, County, Municipal					
Railroad					
Miscellaneous					
<i>Total Bonds</i>	\$	\$	\$	\$	\$
STOCKS					
Railroad	\$	\$	\$	\$	\$
Bank and Trust Company					
Miscellaneous					
<i>Total Stocks</i>	\$	\$	\$	\$	\$
<i>Total Bonds and Stocks</i>	\$	\$	\$	\$	\$

* Companies, Societies and Associations which do not amortize their bonds should leave this column blank.

The Secretary read his report as follows:

Report of Joseph Button, Secretary-Treasurer of the National Convention of Insurance Commissioners, from August 15, 1920, to September 1, 1921.

RECEIPTS.

Balance on hand August 15, 1921.....	\$ 408.41
Assessments, 1920-'21—South Carolina, Minnesota, Tennessee, Indiana, Virginia, Texas, Vermont, Maine, Wyoming, Missouri, Michigan, New York, Montana, Pennsylvania, Oregon, New Hampshire, South Dakota, Hawaii, Wisconsin, Idaho, New Jersey, Iowa, Colorado, Connecticut, California, Maryland, Washington, Nebraska, Illinois, Utah, Kentucky, Massachusetts—33 states at \$75.00 each.....	2,745.00
Maryland (1919-'20 Assessment).....	50.00
North Dakota	35.00
Ohio	50.00
Kansas	58.63
From sale of Proceedings	92.44
Proceeds from interest on deposits	26.96
	\$3,196.49

DISBURSEMENTS.

Reporting annual convention	\$ 157.50
Reporting December meeting	81.00
Printing proceedings of convention.....	1,054.80
Miscellaneous printing	558.05
Postage, telegraph, express, etc.	74.23
Clerical hire (mailing reports, etc.)	20.00
National Fire Protective Association dues.....	60.00
Secretary's salary for one year.....	500.00
Balance on hand September 1, 1921.....	690.91
	\$3,196.49

Respectfully submitted,

JOSEPH BUTTON,
Secretary-Treasurer.

Commissioner Phillips: Mr. Chairman, I move that an auditing committee consisting of three members be appointed to audit the accounts as presented by the Secretary.

I was engaged here in another matter. What is the balance, Mr. Secretary?

The Secretary: Six hundred and ninety dollars.

I will state for the benefit of the Convention that our expenses have increased, due largely to the increased cost of printing. The New York Department for many years has been printing the report of the Committee on Blanks and doing other miscellaneous printing for the convention, but in view of the fact that the cost of getting out the annual book on valuations has increased to such a large extent and it has been such a heavy burden upon the New York Department, they having to bear the large proportion of it, we relieved the New York Department of printing the reports of the Committee on Blanks and other miscellaneous printing which the Committee on Blanks had been printing through the New York

Department. So it makes our miscellaneous printing bill this year \$558.05 in addition to the cost of the printing of the proceedings which is \$1,054.80.

The motion made by Mr. Phillips that an auditing committee be appointed was seconded and carried.

Chairman Donaldson: I will appoint Mr. Appleton, Mr. McCulloch and Mr. Tarbell.

Commissioner Button: I have a matter here that I would like to have referred to the Committee on Workmen's Compensation.

My old friend Mr. Hardison has made a very valuable suggestion and framed a resolution to carry that suggestion into effect, which I now offer and move that it be referred to the Committee on Workmen's Compensation:

"WHEREAS nearly all of the states have enacted laws providing that compensation shall be furnished to workmen who are injured in the course of their employment, for the payment of which compensation the employer is made liable which liability he insures in some authorized insurance company, and

WHEREAS the insurance officials of many states are required by law to pass upon the adequacy or reasonableness of the rates charged for such insurance, and

WHEREAS no state has had sufficient experience in all classes of industries upon which to establish basic rates, thus making necessary the use of the experience of all the states as the foundation for such rates, which work it is expedient for many recognized reasons to have done by some central organization, and as a matter of fact is now done by such an organization, to-wit, The National Council on Workmen's Compensation Insurance whose membership is made up of local Workmen's Compensation Bureaus whose members are insurance companies, so that in the final analysis the basic rates are worked out for the various states by the representatives of the insurance companies, and

WHEREAS, it seems essential that Insurance Commissioners who are responsible for the adequacy or reasonableness of rates in their respective states should be in closer touch with the rate-making organization in order that they may have a more intimate knowledge of the workings of that organization, and some degree of control in the gathering and use of statistics from unsupervised states and an opportunity to pass upon decisions that unconsciously may involve discrimination as between classes of industries or between states,

BE IT RESOLVED, That a Committee on Rates of Workmen's Compensation Insurance consisting of three members be appointed by the National Convention of Insurance Commissioners whose duty it shall be to supervise the rate-making work of the National Council on Workmen's Compensation Insurance in behalf of the members of this convention."

Chairman Donaldson: The resolution will be referred to that Committee.

Commissioner Phillips: Mr. Chairman, I present the report of the Committee on Valuations.

To the National Convention of Insurance Commissioners:

The security values for use in the statements as of December 31, 1920, of the insurance companies and societies, given in the book, published by the Committee on Valuation of Securities, were prepared by Mr. Marvyn Scudder, of the Investors' Agency of New York, under the close supervision of the Audit Bureau of the New York Insurance Department.

In preparing the values Mr. Scudder followed the rule adopted by your Committee at its meeting on September 30, 1920, which was to take the mean

between the Convention, 1919, values and the actual market quotations as of November 1, 1920, except that in all cases where the actual market values as of December 31, 1920, were higher than the mean values referred to the actual December 31, 1920, values were to be used. United States Liberty and Victory Loan bonds were carried in the book at the actual market quotations as of December 31, 1920, although, under the rule of the Committee, those acquired by subscription from the Government were allowed at par and those purchased otherwise at the purchase price in the companies' statements.

Last year the Insurance Departments of the various states and most of the insurance companies and societies submitted lists of securities purchased or loaned on during the first nine months of the year to the New York City office of the New York Department before October the 8th. If all companies and societies will be at least as prompt this year the book will contain practically all securities except those on which quotations cannot be obtained and whose values have to be determined from the financial statements of the issuing corporations.

More companies and societies awaited in 1920 the receipt of the Convention Book of Values before completing their 1920 statements than in the previous year with the result that the only changes required in schedules C and D of most companies and societies were in connection with securities on which it was impossible to determine the Convention values before the book was printed. If all companies and societies will await the receipt of the Convention Book of Security Values before completing their 1921 annual statements the auditing of the statements and the printing of the reports of the various insurance departments will be expedited.

A meeting of the Committee will be held early in October, 1921, in New York City, to determine what basis should be adopted for the values to be used in the 1921 statements; and it is recommended, therefore, that the following resolutions be now adopted by the Convention:

RESOLVED, That the Committee on Valuation of Securities be authorized to make a contract for the publication of the book of valuations, and that it also be authorized to arrive at the valuation of securities by such method as in the opinion of the committee is proper.

RESOLVED, That the Secretary-Treasurer be authorized to send accounts to the various departments in such amounts as each department may determine to cover the cost of the publication of the book of security values and the expenses of the Committee on Valuation of Securities.

JESSE S. PHILLIPS, Chairman.
 BURTON MANSFIELD,
 JOS. BUTTON,
 JOS. G. BROWN,
 PLATT WHITMAN,
 THOMAS B. DONALDSON,
 CLARENCE W. HOBBS,
 T. J. HOUSTON.

Contributions received by Jesse S. Phillips, Chairman, Committee on Valuations to Help Defray Necessary Expenses for Printing and Publishing Book, "List of Securities Held by Insurance Companies" as of December 31, 1920, as follows:

1920.		
Oct. 8.	Gustaf Lindquist, Insurance Commissioner, St. Paul, Minn.	\$ 255.00
9.	Miles Scheaffer, Insurance Commissioner, Indianapolis, Ind.	75.00
13.	L. K. Arrington, Insurance Commissioner, Nashville, Tenn.	100.00

PROCEEDINGS

	J. T. McMillan, Insurance Commissioner, Austin, Tex.	50.00
	W. A. McSwain, Insurance Commissioner, Columbia, S. C.	100.00
14.	Joseph G. Brown, Insurance Commissioner, Montpelier, Vt.	150.00
15.	G. Waldon Smith, Insurance Commissioner, Augusta, Maine	100.00
	R. B. Forsyth, Insurance Commissioner, Cheyenne, Wyo.	10.00
	Joseph Button, Insurance Commissioner, Richmond, Va.	300.00
18.	Alfred L. Harty, Superintendent of Insurance, Jefferson City, Miss.	100.00
20.	F. H. Ellsworth, Insurance Commissioner, Lansing, Mich.	250.00
25.	S. A. Olsness, Insurance Commissioner, Bismarck, N. D.	15.00
	W. N. Van Camp, Insurance Commissioner, Pierre, S. D.	50.00
27.	John J. Donahue, Insurance Commissioner, Concord, N. H.	75.00
	Thomas B. Donaldson, Insurance Commissioner, Harrisburg, Penn.	1,000.00
	C. W. Fairchild, Insurance Commissioner, Denver, Col.	125.00
29.	Geo. P. Porter, Insurance Commissioner, ex-off. Helena, Montana	32.00
Nov. 1.	A. C. Savage, Insurance Commissioner, Des Moines, Iowa	200.00
	Henry C. Hapai, Deputy Insurance Commissioner, Honolulu, Hawaii	25.00
4.	Burton Mansfield, Insurance Commissioner, Hartford, Conn.	500.00
5.	Frank H. Smith, Insurance Commissioner, Trenton, N. J.	50.00
6.	Platt Whitman, Insurance Commissioner, Madison, Wis.	300.00
9.	Alexander McCabe, Insurance Commissioner, San Francisco, Calif.	250.00
10.	A. C. Barber, Insurance Commissioner, Salem, Ore.	50.00
Dec. 6.	Fred W. Potter, Insurance Commissioner, Springfield, Ill.	300.00
	Amount reported at New York meeting.....	\$4,462.00
Dec.	Jas. F. Ramey, Insurance Commissioner, Frankfort, Ky.	\$ 100.00
	(Received by Superintendent Phillips at New York meeting.)	
14.	Rulon S. Wells, Insurance Commissioner, Salt Lake City, Utah	10.00
	Philip H. Wilbour, Insurance Commissioner, Providence, R. I.	100.00
	W. B. Young, Insurance Commissioner, Lincoln, Neb.	75.00
22.	H. J. Brace, Director of Insurance, Boise, Idaho	50.00
1921.		
Jan. 3.	John J. Donahue, Insurance Commissioner, Concord, N. H.	25.00
	(Additional Contribution.)	

5. Thomas R. Wilson, Insurance Commissioner, Dover, Del.	25.00
15. A. C. Savage, Commissioner of Insurance, Des Moines, Iowa (Additional Contribution.)	50.00
17. Robert T. Crew, Insurance Commissioner, Columbus, Ohio	200.00
	<hr/>
	\$5,097.00
C. W. Hobbs, Boston, Mass.	\$1,000.00
Total contributions of other state departments.....	\$6,097.00
Received from individuals for sale of book.....	108.00
	<hr/>
Total contributions	\$6,205.00
New York balance to close disbursement account.....	\$3,122.24
	<hr/>
	\$9,327.24

DISBURSEMENTS.

Marvyn Scudder, Contractual	\$5,000.00
J. B. Lyon Company, Printing, etc.	3,700.00
Josephine Kenny, Clerk	102.52
Mary F. Butler, Clerk	74.02
New York Telephone Company	27.00
Marvyn Scudder, Postage	164.75
American Railway Express Company, Transportation.....	219.35
George G. Champlin, Proofreader	39.60
	<hr/>
	\$9,327.24

JESSE S. PHILLIPS,
Chairman.

Chairman Donaldson: You have heard the report of the Committee on Valuations. If there are no objections it will be accepted.

Commissioner Button: There is another matter that I would like to bring up and have referred to the Committee on Workmen's Compensation. It seems that some of the states have allowed some of the mutual companies that desired to declare a 30 per cent dividend to make a surcharge in order to declare this dividend. There is no uniformity about it. Some states do not allow it and some do and application is being made now to some of the states to allow this surcharge in order that they may continue to declare a 30 per cent dividend. The question is what should be the policy of the Convention on that and I am going to ask that this matter be referred to the Committee on Workmen's Compensation.

Commissioner Phillips: Mr. President, I think that is an important matter and it should go to the Committee and there should be some uniformity of action. Personally I see no reason why, if these companies want to pay a dividend, they should place a surcharge on certain states. I think that that works to the disadvantage of the citizens of that state, because, for instance, New York

has no control over a Pennsylvania company operating in New York paying dividends, and I assume that Pennsylvania has no control over dividends paid by a New York company operating in Pennsylvania. I think it is a very important question and that it should receive some uniform action by the Convention and the Committee should be prepared to report at the December meeting.

I move that this will be referred to the Committee on Workmen's Compensation.

The motion was seconded and carried.

Commissioner Hobbs: Mr. Chairman, I would like to make one statement in regard to the contributions from the various members of the Convention to the Book on Valuations.

I think it will be obvious in hearing the report read that by far the greater part of the expense is borne by the state of New York, not only in absorbing the amount necessary to close the account amounting to three thousand odd dollars, but also furnishing considerable help, clerical and otherwise, in the preparation of reports which I am informed amounts to about six thousand more. I hope that the members of the Convention will make their contributions to this most important part of the Convention's work with an idea as to what their just and equitable proportion of that expense is. The state of Massachusetts has borne its share. I have even informed them to increase my allotment. I think that if the other states can by any possible means squeeze out of their state legislatures an additional allowance towards this purpose that it would be only just to the state of New York, which we all know is poor.

Chairman Donaldson: We will now take up the regular program.

It is a great pleasure to introduce the Hon. Burton Mansfield, former President of the Convention, who has a warm place in our affection. He will read a paper on "State Insurance."

Commissioner Mansfield: Mr. President, Ladies and Gentlemen: Since coming to Louisville I have taken the liberty of adding a very short prelude to the paper which I have prepared and I am sure that the gentlemen who are to discuss the paper who have not seen it will have no objections. It is only a few lines.

Mr. Mansfield read his paper. (To be found in Appendix.)

Chairman Donaldson: Mr. Mansfield's most interesting paper will be discussed first by the Hon. T. M. Henry, of Mississippi. (Applause.)

Commissioner Henry: Mr. President and Gentlemen: I desire to say that until I reached Louisville I had no opportunity of examining the very interesting paper just delivered by my good friend Mr. Mansfield. It was handed me soon after my arrival. It is not necessary for me to tell you that we have been so busily

engaged with some more important matters than the discussion of a subject that is not dead because it never lived, that I have had no opportunity of giving any thought to this subject.

It is not necessary, I presume, for me to tell you that I am opposed to any proposition looking to state insurance of any kind whatsoever. My experience with the state governments has been, and in my opinion it has perhaps been the experience of some of you gentlemen, if not the most of you, that they have their hands pretty full with matters that are now placed upon them, and until some of these departments more creditably discharge those duties than some of them appear to have done in the past, I shall be opposed to loading them up with any more duties.

We have had some insurance questions down our way. There is one question that has consumed most of the thought of the people generally and a great deal of the time of the courts. That is a burning question and until it is settled I don't believe that I care to so deeply concern myself about a subject that is so dead that I am afraid even my good friend Mr. Mansfield there will be unable to inject the least show of life into its realms.

There are so many reasons why I am opposed to state insurance, not only the compensation kind but all other kinds, that I am fearful if I would undertake to even mention a few of them that my time would be extended to such an extent that you would not have time to make this great trip to Lexington and the blue-grass region, so I am only going to say to you that in my opinion there are enough monopolies under present conditions. I believe in the right kind of monopolies. I think that corporations and monopolies of certain kinds are of great benefit to the people, but I do not believe in it so strongly that I am in favor of the states engaging in the business, and until I have more information on this subject than I now possess or than is contained in those most interesting papers—there have been few papers read here that surpass the one just read, but when it comes to being practical in the way of showing or convincing any one that state insurance is at least a live question or open to discussion, I think you will all agree with me it has not had that effect. In fact, he announces himself in the first part of his paper and in the last of it as being opposed to it.

I am rambling around here, gentlemen, a good while but I feel that enough has been said, and the next time you invite me to discuss a question I want it to be one that at least has enough life in it to die. (Applause.)

Chairman Donaldson: Owing to the indisposition of the Hon. Thos. J. Keating, of Maryland, there will be but one other discussion, and none could handle this subject and none will be able to handle it better than Jesse S. Phillips, of New York. (Applause.)

Mr. Phillips: Mr. President and Members of the Convention: I find myself so much in accord both with the paper which has been

read by Mr. Mansfield and with the discussion of Commissioner Henry, of Mississippi, that there isn't very much left for me to say. I do not understand that Mr. Mansfield is an advocate of state insurance. He has simply called our attention to some of the reasons why state insurance has been advocated, and also called attention to certain matters of progress in which our government has materially changed since it was originally constituted.

As Mr. Mansfield has well said, government is doing things today that not very many years ago would have been considered un-American, and not in accord with the fundamental principles upon which our government was founded. I believe that our government has gone altogether too far and has gone far afield from the original conception of our American idea of government, and there are causes for it. I do not have very much fear that this country of ours, or this nation, will in the very near future provide for all kinds of state insurance, although there are certain groups of people who are advocating it. It is unnecessary for me to say, I think I have said it in several public utterances, that I am unalterably opposed to state insurance or to the government engaging in any business venture (applause), and in that respect I find myself in accord with the alleged recent utterance of a distinguished statesman who said "that there should be less government in business and more business in government." (Applause.)

This idea of the state's engaging in business, furnishing insurance, operating railroads and other business enterprises, is not an American idea. It is purely European; it originated with the autocratic governments of Europe where the individuals or the subjects have scarcely anything to say about the manner in which their government shall be conducted, and from those autocratic sources has come this idea of government engaging in business.

It is unnecessary for me to tell you that our government is not properly constituted to conduct a business, it was not originated for that purpose, and whenever (I don't care what state it is), any state undertakes to engage in business, it has been demonstrated that that business cannot be conducted as economically as it can be conducted by private enterprise, and I think it has been sufficiently demonstrated that the service is not as good.

Take, for example, the various business enterprises that have been conducted, we will say, by the European countries, if you have given any thought to the question whatever. Take, for instance, the operation of the railways; you know there is not a governmental operated railway in all Europe which gives to the people as high standard of service for the same cost that the American railways have given to the people of this country. There is not a single governmental operated railway in Europe but where the freight rates and the passenger rates are greatly in excess of the freight rates and passenger rates of our American operated railways.

Take the different insurance enterprises, if you have given any thought to it, and you will find there that safe insurance protection is not being furnished to the subjects of those countries as cheaply as in this country of ours.

Our people, for some reason, will not patronize a governmental business. The trouble is in this country we mistake the welfare of all the people, and we listen too frequently to the appeal of certain groups—that is what the trouble is today (applause), and those groups of people make noise enough until it is mistaken as the voice of the majority of the people, and the first thing you know you have some half-baked legislation in the various states as the result of the agitation of these groups, and it is not the will of the majority of the people, and brings disaster to our institutions. (Applause.)

Now, something was said here the other day in relation to this question—I think it was in the paper written by the Commissioner of North Dakota, read by his Deputy, and I regret that he is not here, but I hope that he will not take it an offense when I personally say I am not very strong for the North Dakota idea. He cited hail insurance. Well, you know how the government operates or the state operates its hail insurance system. As I understand it, every owner of tillable land in that state is compelled to make his contribution to that insurance whether he wants the protection or not. In other words, as I understand it (and if I am not correct in this I hope my friend from North Dakota will correct me), the initial payment in that hail insurance is made by every citizen of the state or every owner of tillable land in the state, and then, of course, he can withdraw, and the balance is paid by an assessment on those who care to remain in and receive the benefit of the insurance protection, but the contributions of those who withdraw are held in the fund. My friends, how long do you think a stock or a mutual company would operate in the state of North Dakota, if they gave to the insured a warrant which might be payable a year or two years after its date? I am reliably informed that the great state of North Dakota, under this fund, owes approximately two and a half million dollars of unpaid insurance for which the policy-holders hold the warrants of the state which may be paid some time in the future, with no assurance that they ever will be paid. How long do you think a stock or a mutual company can operate in that manner? So much for that hail insurance.

There you have the state engaged in business in North Dakota. I understand that recently that state ventured in the business of establishing a flour mill. The flour mill is wrecked. It also went into the packing business; that is in the hands of a receiver. It also organized a state bank, and under the control of the government directed all the public deposits in the various municipalities of the state, and that system has practically wrecked every bank in that state. There we have a living example of what happens

when the state engages in a purely business venture, and I think that the people of this country are not prepared to adopt those false, impractical and un-American policies.

Something was said here this morning (I think it was in Commissioner Mansfield's paper), about Wisconsin. "Fiasco," he called it. That is what it was. Wisconsin has a life fund in operation there, inaugurated years ago I believe, and they have less than five hundred policy-holders, and why? Because the citizens do not want to take insurance where it is operated by the state, and, as I understand it, the entire expense of that fund is supposed to be paid from the fund itself. Every citizen has a right to apply for life insurance, and yet in that great state of Wisconsin, there are less than five hundred policy-holders. My friends, the trouble is with the government operating business it never can be successful unless a considerable portion of the operating expense of that business is paid from the public treasury, and that is the reason why you have groups clamoring for the state or municipality engaging in business. Why in the great city of New York a few years ago, and the clamor is still there, they wanted the city to establish markets and to furnish food and deliver it to the individuals. Why, of course, if the great city of New York, which is now staggering under a public debt of I don't know how many billions of dollars—nearly two billions I am told—is willing to pay the operating expenses and all that, the consumer paying just the first cost, the consumer is going to receive the commodity at a lower price, and so it is with the question of insurance—if the state is going to pay from the public treasury the expenses for operating it, perhaps the citizen would receive his protection at a less price, although I doubt it.

The time has come in this country of ours when the people must stop listening to certain groups; these groups are clamoring for legislation of all sorts. Every time there is a little trouble they appeal to the Legislature, then unfortunately (I don't know whether you have them in this section of the country or in the West, but we have them in our section), these (I call them high-brow groups), organizations maintained by people of wealth, who made their wealth in the years gone by under very questionable methods and left millions perhaps to their widows—some great manufacturer who ground down his laborer to the very last notch and made tremendous profits and left it to his widow, and she using it for all sorts of uplift purposes—are trying to obtain legislation for the public welfare. These groups of people maintaining paid secretaries and officers go to the Legislature with a hand-made bill, deliver it to the Legislature and say, "Here it is, this will cure all the evils at which the bill is directed."

We have an organization, and I hesitate to refer to it—it is the Anti-Saloon League. You know what the Anti-Saloon League did, you know the methods in which they operate, and although I am

not a prohibitionist (laughter), I believe that for the public welfare at least, it is a good thing for our country and for our people that the saloon has been eliminated. Nevertheless, I believe it would have been better for the future of our republic if they had abolished that without amending the fundamental law of the land.

I have already taken more than my five minutes. I thank you for listening to me, and I think that you are convinced at least that I am in accord with Commissioners Mansfield and Henry, and that I, too, am opposed to state insurance. (Applause.)

Second Vice-President Whitman then took the Chair.

Chairman Whitman: Gentlemen of the Convention, the next number on the program is the paper by Commissioner Thomas B. Donaldson, of Pennsylvania, the subject being, "Licensing of Public Claim Adjusters."

Commissioner Donaldson: Mr. Chairman and Gentlemen, I want to precede the reading of this paper by stating that it refers to the public adjustors of fire losses in the city of Philadelphia. I am not going to try to cover the entire world here. The paper will seem very unnatural to you perhaps. One section of it says in a few words that I don't care a snap of my finger how much profit the fire insurance company makes if it gives the American people the coverage it is entitled to. Whether or not the discussors in favor are going to take that as a thesis I don't know. I hope they won't. If they want to go to the mat with me on that proposition I will be very glad to stage a formal bout. I prefer to have them discuss the question of the public adjuster as a necessity or as a beneficiary or a menace.

Mr. Donaldson then read his paper. (To be found in the Appendix.)

Chairman Whitman: The discussion will be led by Hon. Earl Wilson, Commissioner of Colorado. (Applause.)

Commissioner Wilson:

Mr. President:

The very excellent paper just read by the Commissioner from Pennsylvania touches upon a subject that has not, to my mind, been given proper consideration at any time, that subject being the question of losses and loss adjustments.

Most of us are not so much interested in the public adjuster because this nuisance only thrives in states having large centers of population, and particularly, as the Commissioner has pointed out, large centers of foreign population. In my state there is no such thing as a public adjuster and I hope there never will be. One individual tried it several years ago in Denver, but he did not have any luck and soon closed up shop.

There is undoubtedly a very large addition to the annual loss record shown by the fire companies through the payment of excess losses influenced by these public adjusters, and, as the Commissioner has pointed out, at least winked at by an occasional avaricious broker or agent. I am inclined to agree that this situation is largely due to the failure of the companies to properly recognize the evil and combat it, and yet, as the Commissioner has also pointed out, this lack of action seems to be due to timidity of the companies in fighting what they know to be absolutely wrong.

I might remark, while passing, that I think this timidity is due to the attitude

that still seems to exist on the part of a number of company executives that the last man in the world that they ought to have any business with and the one man in the world that their field representatives should not under any circumstances come in contact with, is the Commissioner of Insurance. I do not know why this attitude exists, but it nevertheless appears to be a fact.

I am not so sure that all of the suggestions that the Commissioner has made can be carried out because it is sometimes difficult for a company adjuster, an independent adjuster or an adjustment board representative to get on the ground immediately after a fire. I am satisfied, however, that it is the loss that occurs after the fire that adds very largely to the annual loss figures. This after-the-fire loss is sometimes caused through ignorance, because I think we all know, particularly in the smaller towns, there is always some busy-body to advise the claimant that under no circumstances must he touch anything until the adjuster arrives. Why this pest should be listened to is not apparent, but he seems to confuse a fire with a murder and that the coroner must be present before anything can be done. It seems to me that if local agents who are supposed to know their business, would make it a point to advise these people who have losses to take care of their property after a fire, as the policy provides they shall do, much of this loss might be saved.

There can be no legitimate field for the public adjuster, as I see it. On the other hand, I do not see how he can be legally prevented from attempting to do business. This being the case, I heartily agree that the remedy suggested by the author of this very excellent paper, namely: that license under the strictest possible condition is the only available influence that can be made use of, and I believe it is the duty of this Convention to support the Commissioner in any line of action that he may suggest, as he has evidently given this subject a great deal of careful study and will undoubtedly work out a solution.

Chairman Whitman: The paper will be further discussed by Hon. Thos. S. McMurray, Jr., of Indiana.

Commissioner McMurray:

Mr. President:

I have listened with interest to the valuable paper of the Commissioner from Pennsylvania on the vexatious question of public claim adjusters. The indictment he returns is indeed a severe one, but to those of us who are familiar with the conditions in Philadelphia, it was only to be expected. Pennsylvania is not alone in her troubles along this line. While conditions there have been considerably worse than in other sections of the country, all of us have faced and are now facing the same problem in a milder form. The enactment of a statute by our sister state, providing for the licensing of public claim adjusters, is a forward step and one of the most important ones that could be taken to stamp out this evil, and the other states should not be slow to follow her lead and profit from her experience. I can see no good reason for the licensing of the companies themselves and their agents who produce the business, and then give the adjuster a free hand in his important station. Is it not of as much importance to the various states to see that this question of moneys paid to policy-holders shall be fairly and honestly made, as it is to see that all income is properly accounted for?

I do not doubt that the Commissioner from Pennsylvania will find that he has a fight on his hands, indeed, he tells us that he is already in court, for he is interfering with a very lucrative business which will not be readily surrendered. The most serious side of this question, to my mind, is the apathy of the home office. What is the trouble? Can there be any branch of the business of more importance?

The question of loss adjustment is one that has given the companies as much trouble as any other part of their business. Agencies that do a large business appeal to their companies for a liberal settlement, and the companies, having in mind the large volume of premium that they are receiving from this agency or broker, as the case may be, and the possibility of the loss of this income, if a settlement is not made, satisfactory to the agent, are strongly inclined to permit

the agency to dictate the terms. However, crooked adjustments cannot be carried out by the public claim adjuster alone. He must have an accomplice. In most locations, at the present time, the companies virtually own the adjustment bureaus, which have been established, so they tell us, to reduce the cost of settling losses. This effort to hold down this expense is serious business, and the conditions thereby created are similar to those in many of our banking institutions where men handling large sums of money are greatly underpaid. Temptations are strong. If the companies would not try to keep the cost of adjustments so low, and would pay their adjusters adequate salaries, part of your evils, and a large part of them to my mind, would be cured. Wherever you find a crooked adjuster for the assured, you are sure to find a crooked adjuster for the company, for it always takes some one else beside the public adjuster to put across a questionable claim.

It seems to me that both the state departments and the companies must pay more attention to losses and not criticise or be criticised for the expenses which are incurred by the adjustment bureaus.

I am heartily in accord with any fair method that will stamp out evil complained of, but I take issue with the Commissioner in his statement that he "does not care a rap how much money the company makes, so long as it pays its losses." I am willing, yes anxious, that the companies shall make a fair and just return on the capital invested in their business, with due consideration for the hazards to which the business is subjected, but I do object most seriously to a free range in the matter of rates, especially as it is handled today. There is not one company official in a hundred that can give you or me a satisfactory answer on the matter of schedule rating. The only answer they give is that losses are about so much, the expense of the business is about so much, and the profit should be so much. If the companies were one half as scientific in the matter of loss adjustments, as they are in the matter of rates, this subject would not be under discussion here today, and the complaints to reach your office and mine would be few and far between. Vast sums are spent for rating, while, in the matter of settling claims, the home office pats itself on the back, because they have kept the cost down to one quarter of 1 per cent.

This question is indeed a serious one for us all. We have heard today how deep seated this evil may become if allowed to go unchecked. The alarm has been sounded, and if we permit the conditions that have existed in Philadelphia, to thrive in our respective localities, the blame will be ours and ours alone, and I assure you that the Indiana department will not lag behind in the effort to secure the enactment of a statute providing for the licensing of public claim adjusters.

Chairman Whitman: The paper will be further discussed by Hon. Philip H. Wilbour, Commissioner of Rhode Island.

Commissioner Wilbour: Mr. President and Gentlemen of the Convention: Inasmuch as the American people are subjected to a very distressing orgy of taxation, I fail to commit myself to further any more additional taxation now. If you tax insurance adjusters, it means a cost to the corporation or to the partnership or to the individual. We have to draw the line somewhere. I, for one, am going to begin right here and say no. A man-made law is not infallible. We don't want to conflict with the Divine in any way, shape or form. I am going to allow myself to take the opportunity and quote the law of God Almighty as the gentleman from Connecticut did: "For I saith unto you, take no thought for the morrow what ye shall eat, or what ye shall drink, or wherewithal ye shall be clothed." Now we don't want to interfere with that in any way, shape or form. When we are violating that mandate

of His we are in error. What man among our millions of citizens but what has got to take thought of a square meal for tomorrow? Outside of Louisville if you take a drink it is a serious thought, it means a fine or jail or both, or perhaps sudden death. (Laughter.) "Or wherewithal shall ye be clothed." I commend the good common sense of the better half of the American citizenship. They, so far as apparel is concerned, are exercising the most rigid and delightful economy. (Laughter.) And there again the other half have got to take great thought for the morrow.

I thank you. (Laughter and applause.)

Vice-President Donaldson resumed the Chair.

Chairman Donaldson: Is there anything further?

Mr. Whitman: I move we adjourn.

The motion was seconded and carried and the meeting adjourned at 12:10 o'clock.

FRIDAY MORNING SESSION.

The meeting convened at 11 o'clock, Vice-President Donaldson presiding.

Chairman Donaldson: Communications and reports.

The Secretary: I have the report of the Auditing Committee on the accounts of the Secretary-Treasurer.

"Your Committee appointed to audit the accounts of the Secretary-Treasurer of the National Convention of Insurance Commissioners, from August 15, 1920 to September 1, 1921, have performed their duty and find the same correct.

"Signed,

"H. D. APPLETON

S. W. McCULLOCH

THOS. F. TARBELL."

Commissioner Savage: I have a report from the Fraternal Committee.

To the National Convention of Insurance Commissioners:

"Your Fraternal Committee to whom was referred the bill known as the Richmond Bill providing minimum rates of contribution on certificates issued after January 1, 1925, and segregation of accumulations on such certificates beg leave to report that it has had the same under consideration and recommend that the bill hereto attached be recommended to the state legislatures for adoption.

"A. C. SAVAGE, Chairman."

A BILL.

Providing Minimum Rates of Contribution on Certificates Issued After January 1, 1925, and Segregation of Required Accumulations on Such Certificates.

(Title and enacting clause to be in accordance with the legislative practice in each State.)

"Section 1. No fraternal benefit society, domestic or foreign, from and after the first day of January, 1925, shall issue certificates of membership, or be licensed to transact business in this State, which does not show in its certificates issued subsequently to the first day of January, 1925, or in its constitution and laws, that it is charging and collecting rates of contribution not lower than rates derived from the National Fraternal Congress Table of Mortality, as adopted by the National Fraternal Congress, August 28, 1899, and with interest assumption not higher than four per centum per annum; or, at the option of the society, any higher mortality table or lower interest rate may be employed; or at its option, it may use contribution rates derived from a table based upon the society's own mortality experience of at least twenty years and covering not less than one hundred thousand insured lives, with interest assumption not higher than four per centum per annum; provided that, where combined contributions are used by any society for both death and permanent total disability benefits, the rates of contribution must be derived from tables based upon reliable combined mortality and permanent total disability experience, and in such case, separation of the mortuary and permanent total disability funds shall not be required. Nothing herein contained, nor contained in the laws of this State regulating fraternal benefit societies, shall be construed or operate to prevent provisions being incorporated in certificates of membership, or in the constitutions and laws of such fraternal benefit societies, whereby regular benefit contributions and protection are limited to designated periods or whereby contributions are limited to designated periods; or whereby the rate of contribution is to remain level for a less term of years than the duration of the promise to pay benefits; or whereby the rate of contribution is level for a less term of years than the possible duration of the contract, if such contract provides for a definite and stated rate of contribution beginning at a fixed date or dates subsequently to the date of the certificate of membership and contemporary with the date or dates at which the preceding rates of contribution terminate.

"Section 2. Every such fraternal benefit society on certificates of membership issued subsequently to January 1, 1925, shall maintain the accumulation required by the standards of mortality and interest employed for computing rates of contribution, and the said required accumulation and necessary accretions thereon shall be kept separate and independent of the other funds of the society and shall not be liable for, nor used for, the payment of the debts or obligations of the society other than those incurred on account of the certificates for the integrity of which such accumulation is maintained, provided, that any such society may employ mortality and interest assumptions which will produce redundant contribution rates in excess of the tabular rates necessary to provide for the accumulation required to maintain the integrity of the adequate rate certificates as determined by valuation on any standard of mortality and interest authorized in Section one of this act, when such authorized standard of mortality and interest assumptions is not more favorable than the average actual experience of the society during the last five years preceding the annual valuation for the determination of said required accumulation; and provided that any such society may make additions to its adequate tabular rates of contribution; and provided further that any such society may, at its election, use the present value of the redundant or excess or additions or increases over the net tabular rates to provide for claims and required accumulation for the purpose of increasing the present value of the rates of members with deficient contributions, such increase not to exceed the degree of technical or valuation solvency.

"Any society that has issued certificates before January 1, 1925, and prior to the passage of this act, on which it is charging and collecting rates of contribution not lower than the rates required in Section one hereof, likewise may segregate

the accumulation required to be maintained on such certificates; provided, there also is a segregation of the accumulation required on all certificates issued after the passage of this act.

"The separation and segregation of required accumulation for certificates on adequate rates of contribution as herein provided shall continue to be made until the society can show that it is creating and maintaining the accumulation required on its certificates taken as a whole, as determined by valuation made in accord with provisions and standards of valuation applicable under the laws of this state.

"The provisions for the segregation of required accumulation, hereinbefore set forth, shall not be construed so as to require a segregation of the certificates issued prior to January 1, 1925, nor as a classification of the general membership, nor the separation thereof into distinct societies or entities, nor shall prevent any such society from establishing common mortuary or benefit and common expense funds. Any such fraternal benefit society, order or association having an actual surplus over and above the amount necessary for payment of claims and for required accumulation may use such surplus as may be prescribed and in the manner provided in its constitution and laws, or by its supreme legislative or governing body, anything in the laws of this state regulating fraternal benefit societies, orders or associations to the contrary notwithstanding.

"Section 3. The term 'required accumulation' as used in this act shall be construed to mean the excess of the present value of the promised benefits over the present value of the future net contributions.

"Section 4. Nothing contained in this Act shall be construed to affect or apply to Societies which limit their membership to any one hazardous occupation. All acts and parts of acts inconsistent with this act are hereby repealed.

Chairman Donaldson: The Convention has heard the report of the Fraternal Committee. Those in favor of its adoption will say "Aye." It is carried.

Commissioner Button: I have the report of the sub-committee of Laws and Legislation to which was referred the subject of qualification for license of insurance agents.

The Secretary read the report as follows:

September 29, 1921.

To the Committee on Laws and Legislation:

Your sub-committee beg leave to report as follows:

We submit herewith a printed draft of a proposed uniform law for licensing insurance agents which has been agreed upon by the National Association of Insurance Agents and the National Board of Fire Underwriters and by the sub-committees, and which, in the opinion of your sub-committee, is a compilation worth while submitting to all the states, after adoption by the convention.

The proposed licensure plan is radical, but commendably so, in two important features. First: (See Section 3) the candidate applies direct to the Insurance Commissioner for his license; and (See Section 4), he is to be subjected to personal examination. Second: (See Section 3), but one license is issued annually. That is to say, the single state license qualifies the man to represent any and all recognized companies. The companies are required to advise the departments of the names of all agents appointed by the companies, but department licenses for agents are not issued to companies or in name of companies, or upon request of companies.

Respectfully submitted by

THOMAS B. DONALDSON, Chairman.
JOSEPH BUTTON,
JAMES F. RAMEY.

An Act Relating to the Qualification and Licensing of Insurance Agents.

Be it enacted by the General Assembly of the state of.....

Section 1. An insurance agent is hereby defined to be an individual authorized in writing, by any insurer lawfully qualified to transact business in this state, to solicit, negotiate or effect contracts of insurance, surety or indemnity on behalf of any insurer; or any member of a co-partnership or association, or any stockholder, officer or agent of a corporation, desiring to solicit, negotiate or effect insurance, indemnity or surety contracts, where said co-partnership, association or corporation holds a direct agency appointment from any insurer. All such agents shall thereby become liable to all the duties, requirements, liabilities and penalties herein provided. This Act shall not apply to any executive or travelling salaried employee of any such insurer.

Section 2. Any insurer authorized by law to transact business within this state, shall from time to time certify to the Insurance Commissioner the names of all agents appointed by it or them to solicit, negotiate or effect contracts of insurance, indemnity or surety in this state.

Section 3. Any person desiring as agent to engage in the insurance business, as herein set out, shall first apply to the Insurance Commissioner of this state in the manner hereinafter prescribed, for an insurance agent's license, authorizing such agent to engage in and transact such business. The applicant for such license shall file with the Insurance Commissioner his or her written application for a license authorizing him or her to engage in the general insurance business or any special line thereof which may lawfully be written in this state; and the applicant shall make sworn answers to such interrogatories as the Insurance Commissioner may require on uniform forms and supplements prepared by him, which answers shall be vouched for by an official or representative of any insurer lawfully authorized to transact business in this state, or by a licensed insurance agent of this state, setting forth:

- (a) That the applicant is personally known to him;
- (b) That the applicant has had experience or instruction in the general or some mentioned special lines of insurance, surety or indemnity coverage;
- (c) That the applicant is of good business reputation and is worthy of a license.

Section 4. It shall be the duty of the Insurance Commissioner, or his deputy, or any person he may designate to represent him, to subject each applicant for license to examination as to his or her qualifications to act as such agent, and when the Insurance Commissioner is satisfied that the applicant is of good business reputation and has had experience or training, or is otherwise qualified in said respective lines of insurance, and is reasonably familiar with the insurance laws of this state, and with the provisions, terms and conditions of the policies or contracts he or she is proposing to solicit, negotiate or effect, the Insurance Commissioner shall issue to the applicant an Insurance Agent's License to transact business in this state. Such license shall expire annually on..... unless sooner revoked for cause by the Insurance Commissioner. The fee to be paid to the Insurance Commissioner for each license issued shall be \$.....

Section 5. The Insurance Commissioner after twenty days notice of his intention so to do, given in writing to the agent and the company or companies represented by him or her, shall have the right to revoke any license in the event that investigation by him discloses the fact that it was obtained by fraud, or misrepresentation, or in the event that the interests of the insurer or the insurable interests of the public are not properly served under said license. The Insurance Commissioner shall also have the right after like notice, as above set forth, to suspend any license for cause.

Within thirty days after the revocation, suspension or refusal to license, the person aggrieved shall have the right to petition any court of record of the county wherein the applicant resides, to require said Insurance Commissioner to show cause why the license should not be reinstated or issued.

Section 6. It shall be unlawful for any person, without conforming to the provisions of this Act to represent himself or herself to be the agent of any insurer, or, as agent, to solicit, negotiate or effect any contracts of insurance.

indemnity or surety, or renewal thereof, or to attempt to effect the same on persons, property, or insurable business activities or interests, located within, or transacted within this state.

Section 7. Any person violating any of the provisions of this Act, shall, on conviction, be fined not less than \$..... nor more than \$..... for each offense.

Section 8. All laws or parts of laws in conflict herewith are hereby repealed.

Chairman Donaldson: The report will be referred to the Committee on Laws and Legislation for its consideration.

Commissioner Phillips: I have the report of the Executive Committee on the report of the Committee on Blanks.

September 29, 1921.

To the National Convention of Insurance Commissioners:

The Committee on Blanks, through its Chairman, presented the attached report from the sub-committee on fraternal blanks in matter of revised fraternal valuation report, presented by such committee in accordance with action of the Committee Blanks taken at the May meeting, 1921, referred to in the report of the Committee on Blanks date May 20, 1921, and approved by the Executive Committee, June 27, 1921. (Printed report, page 27.)

The Executive Committee accepts this report of the sub-committee, dated September 20, 1921, recommends that it be printed in the proceedings of this convention and instructs the Committee on Blanks to have the amended valuation report blank printed and furnished all fraternal societies so as to carry out the suggestion made that every opportunity be given for a full expression of opinion on the part of all interested prior to the adoption of the blank to be used for the returns of the year 1922.

JESSE S. PHILLIPS,
Chairman.

Albany, N. Y., September 20, 1921.

REPORT OF THE SUB-COMMITTEE ON FRATERNAL BLANKS TO THE COMMITTEE ON BLANKS OF THE NATIONAL CONVENTION OF INSURANCE COMMISSIONERS. RE: AMENDMENTS TO THE FRATERNAL VALUATION REPORT BLANK.

PRELIMINARY STATEMENT.

In May, 1921, the National Convention of Insurance Commissioners Committee on Blanks instructed the Sub-committee on Fraternal Blanks (originally appointed in May, 1919), to give further consideration to the Fraternal Valuation Report Blank and to submit a report to the Chairman of the Committee on Blanks, at a date prior to the annual convention of the Commissioners at Louisville, Ky., in September, 1921, so that such report could then be acted upon by the Executive Committee. If the report is adopted by the Executive Committee, it is planned to have the amended Valuation Report Blank printed and furnished to all Fraternal Societies, so that every opportunity may be given for a full expression of opinion on the part of any and all persons interested in the amendments prior to the final adoption of the blank to be used in connection with the annual reports for the year ending December 31, 1922.

Amendments to the Fraternal Valuation Report Blank.

The suggested amendments which follow are designed to carry into effect the suggestions made in Sections A and B and the corresponding recommendations contained in the "Report of the Sub-committee on Fraternal Blanks to the Committee on Blanks of the National Convention of Insurance Commissioners re: Revision of the Fraternal Valuation Report Blank," dated May 17, 1920, as adopted by the National Convention of Insurance Commissioners at their meeting in New York City on December 8, 1920. The amendments refer to the Convention Edition of the 1920 Fraternal Valuation Report Blank. The Section numbers

set out below refer to the numbers of the corresponding items in the revised blank.

4. Amend item 4 to read as follows:

If the laws of the society provide for the segregation and trusteeing of the reserves or funds of any class or classes of certificates, a separate Valuation Exhibit and "Form of explanation for publication" shall be attached to this report in respect of each such class and be furnished to all members irrespective of class, through the official publication of the society or otherwise.

Do the laws of the society provide for the segregation and trusteeing of the reserves or funds of any class or classes of certificates?

Answer

If so, attach a copy of such provision to the Valuation Report.

Was such segregation and trusteeing of reserves or funds made in accordance with, pursuant to, or under the express authority of, the statutes of any state?

Answer

If so, specify the state and give the reference to the particular statutory provision.

Answer

The above amendment is for the purpose of obtaining more complete information with reference to the segregation and trusteeing of the reserves or funds of any class or classes of certificates.

5. Amend item 5 to read as follows:

The items of assets and liabilities must check with the corresponding items in the Annual Statement. These items of information shall be furnished by an official of the society to the actuary or accountant who shall include them in the Valuation Exhibit.

The above amendment is for the purpose of clarifying the statement.

Amend item 7 to read as follows:

In the determination of the ratio per cent of assets to liabilities, according to the method of valuation prescribed by the Fraternal Insurance Law of the state of, there must be eliminated the funds not available for the payment of future claims under contracts of insurance and the "non-admitted assets" other than certificate liens, loans and interest thereon; provided that the total of such indebtedness on any certificate included in the statement of assets shall not be greater than the excess of the present value of the promised benefits over the present value of the future net contributions under said certificates, as shown by the method of valuation assumed by the society, in accordance with the laws of the state of

Have the above requirements been complied with?

Answer

The revision of the Valuation Exhibit makes the above amendment advisable.

11. Amend item 11 to read as follows:

How many assessments were actually collected during each of the last five years? Answer:

	1921	1920	1919	1918	1917
Death					
Disability					
Expense					
Combined death, disability and expense					

12. Amend item 12 to read as follows:

Date when the society last changed the number of regular assessments to be collected each year.

Answer

15. Amend item 15 to read as follows:

Are certificate liens or loans or premium loans granted?

Answer

If so, state conditions and amount of each class of liens or loans outstanding

Also state, amount of liens or loans outstanding at each rate of interest.....

I hereby certify to the correctness of the foregoing answers and to the correctness of items 29-35, 45-53, 60-62 and 74-78 of the Valuation Exhibit.

Signature.....

Official Title.....

The revision of the Valuation Exhibit makes the above amendments advisable.

17. Amend item 17 to read as follows:

State the method of valuation used (whether level net premium, full preliminary term, straight modified preliminary term, Illinois Standard, etc.)

Answer

19-40. Strike out items 19 to 40, inclusive.

19. Add a new item 19 to read as follows:

Have the negative reserves on individual certificates been eliminated from the Valuation Exhibit?

Answer

What is the total amount of negative reserves on individual certificates?

Answer \$.....

The term, "Negative Reserve," refers to the excess of the present value of the future net contributions over the present value of the promised benefits.

20-35. Amend the Assets side of the Valuation Exhibit. (Section 23-a Method). to read as follows:

VALUATION EXHIBIT.

(Section 23-a Method—Basis other than Accumulation)

Assets—Actual and Contingent.

(Excluding Assets of Expense and Special Funds)

*20. Present mid-year value of future net contributions on following forms of certificates:

- *21. (a) death only \$.....
- *22. (b) death and disability
- *23. (c) sick and accident
- *24. (d)
- *25. (e)
- *26. (f)
- *27. (g)
- *28. Total \$.....

29. Admitted Assets, per item 35, page 4, Annual Statement (less liens, loans and interest thereon, if any, included in Admitted Assets) \$.....

30. Deduct assets not available for payment of death losses (i. e. assets of expense and special funds):

- 31. ** General or expense funds \$.....
- 32. ** Sick and accident funds (fill in this item only when the sick and accident benefits are not valued)
- 33. ** Special funds (include all funds other than general or expense funds not available for payment of benefits).....
- 34. Assets available for payment of death losses, item 29 less the sum of items 31, 32 and 33, above.....
- 35. Assets—Actual and Contingent, sum of items 28 and 34, above

** Include admitted "Non-Ledger" Assets.

36-54. Amend the Liability side of the Valuation Exhibit (Section 23-a Method) to read as follows:

VALUATION EXHIBIT.

(Section 23-a Method—Basis other than Accumulation)

Assets—Actual and Contingent.

(Excluding Liabilities of Expense and Special Funds.)

†36. Present midyear value of promised benefits, or net tabular mid-year values, on following forms of certificates:

†37. (a)	death only	\$
†38. (b)	death and disability
†39. (c)	sick and accident
†40. (d)
†41. (e)
†42. (f)
†43. (g)
†44. Total		\$

- 45. Deduct liens, loans and interest thereon, not included in Admitted Assets, and not in excess of required reserves on individual certificates valued according to Section 23-a Method—Basis other than Accumulation..... \$.....
 - 46. Balance, item 44 less item 45, above..... \$.....
 - 47. Total Liabilities, except Reserve, page 5, Annual Statement
 - 48. Liabilities of general or expense funds, page 5, Annual Statement
 - 49. Liabilities of sick and accident funds (fill in this item only when the sick and accident benefits are not valued), page 5, Annual Statement
 - 50. Liabilities of special funds (funds other than general or expense funds not available for payment of benefits), page 5, Annual Statement
 - 51. Liabilities of mortuary or benefit funds, item 47 less sum of items 48, 49 and 50, above..... \$.....
 - 52. Excess of liabilities of sick and accident fund when not valued (item 49 above), over the balance in the corresponding fund (item 32 above)..... \$.....
 - 53. Liabilities—Actual and Contingent—sum of items 46, 51 and 52, above..... \$.....
 - 54. Ratio per cent of Assets—Actual and Contingent (item 35), to Liabilities—Actual and Contingent
 - 54. Ratio per cent of Assets—Actual and Contingent (item 53).....
- | | |
|--------------------|--------|
| Dec. 31, 1921..... |% |
| Dec. 31, 1920..... |% |
| Dec. 31, 1919..... |% |
| Dec. 31, 1918..... |% |
| Dec. 31, 1917..... |% |
- 55. Re-number item 41 to read item 55.
 - 56. Re-number item 42 to read item 56.
 - 57. Re-number item 43 to read item 57.
 - 58. Re-number item 44 to read item 58.
 - 59. Re-number item 45 to read item 59.
 - 60. Strike out items 46 to 55, inclusive.

60-62. Amend the Asset side of the Valuation Exhibit ("Accumulation Basis"—Section 23-b Method) to read as follows:

VALUATION EXHIBIT.

("Accumulation Basis"—Section 23-b Method.)

Assets—Actual and Contingent.

(Excluding Assets of Expense and Special Funds)

60. Present mid-year value of future net contributions on certificates

- valued according to Section 23-a Method—Basis other than Accumulation, per item 28, above..... \$.....
61. Add assets available for payment of death losses, per item 34, above
62. Assets—Actual and Contingent—sum of items 60 and 61, above..... \$.....

63-79. Amend the Liability side of the Valuation Exhibit ("Accumulation Basis"—Section 23-b Method), to read as follows:

VALUATION EXHIBIT.

("Accumulation Basis"—Section 23-b Method.)

Liabilities—Actual and Contingent.

(Excluding Liabilities of Expense and Special Funds.)

63. Funds apportioned as credits on following forms of certificates:
64. (a)death only \$.....
65. (b)death and disability
66. (c)sick and accident
67. (d)
68. (e)
69. (f)
70. (g)
71. Total Apportioned Credits..... \$.....
72. Present mid-year value of promised benefits, or net tabular mid-year values, on certificates valued according to Section 23-a Method—Basis other than Accumulation, per item 44, above..... \$.....
73. ? Total, sum of items 71 and 72, above..... \$.....
74. Deduct liens, loans and interest thereon, not included in Admitted Assets, and not in excess of required reserves on individual certificates valued according to Section 23-a Method—Basis other than Accumulation.....
75. Balance, item 73 less item 74, above..... \$.....
76. Liabilities of mortuary or benefit funds, per item 51, above
77. Excess of liabilities of expense, sick and accident and special funds (items 48, 49 and 50, above) over the balances corresponding funds (items 31, 32 and 33, above) corresponding funds (items 31, 32 and 33, above).....
78. Liabilities—Actual and Contingent—sum of items 75, 76 and 77, above..... \$.....
79. Ratio per cent of Assets—Actual and Contingent (item 62) to Liabilities—Actual and Contingent (item 78)Dec. 31, 1921..... %
 Dec. 31, 1920..... %
 Dec. 31, 1919..... %
 Dec. 31, 1918..... %
 Dec. 31, 1917..... %

88. Re-number item 56 to read item 88, and amend the first sentence to read as follows:

This Valuation is made on the Accumulation basis and covers outstanding certificates originally issued at contribution rates which were not computed upon standard tables of mortality and rates of interest and which therefore were not designed to provide tabular reserves.

Schedule A. Letter the first seven horizontal lines (a), (b), (c), (d), (e), (f) and (g) to correspond to the forms of certificates shown in the Valuation Exhibit.

Instructions to Be Followed in Making Up the Valuation Report.

The following instructions are suggested as being suitable for printing on the back page of the Fraternal Valuation Report Blank.

Instructions for Entering Data in the Fraternal Valuation Report Blank.

1. Each item in the blank should be carefully filled in, in accordance with the information required.

2. All death losses of whatever nature should be included in accrued liabilities in the Valuation Exhibit.

3. The present value of future extra assessments should be included as a part of the contingent assets only in the event that a specific number of amount of such extra or additional assessments has been levied.

4. If the society has made a legal segregation of the funds between the various classes of members, it should make separate Valuation Exhibits for such classes, in addition to a combined Valuation Exhibit, so as to more definitely define the rights of the members in each class. It is not necessary to make complete separate Valuation Reports. The combined report should of course be complete. In this connection complete information should be furnished in answer to the questions set out in item 4 of the Valuation Report.

5. The liens, loans and interest thereon which are secured by tabular reserves or accumulations actually maintained on individual certificates should be treated as a part of the admitted assets.

The situation is somewhat different as regards liens, loans and interest thereon which are not secured in the above manner.

Liens, loans and interest thereon not included as a part of the admitted assets and not in excess of the required reserves on individual certificates should be treated as a deduction from the contingent liabilities. This is on the assumption that the liens or loans provide for the payment of interest annually or for compound interest at a rate at least as high as that assumed in the valuation of the certificate liabilities. In the case of liens and loans which do not bear interest or which bear interest at a rate less than that assumed in the valuation of the certificate liabilities, they should not be entered at their full face amounts, but should be entered only in the amounts of their actuarial equivalents, i. e., the single premiums at current attained ages which would provide for insurance equal in amount to the liens and interest thereon where such single premiums are calculated on the same mortality and interest assumptions as used in the valuation of the certificate liabilities.

In lieu of following the plan outlined above, a society may show the reserve liability for an amount of insurance equal to the face amount, less the insurance purchased by the accumulated lien as a single premium at the current attained age. In this connection the rate of interest provided for in the liens must be taken into consideration. E. g. If the lien does not bear interest, the reserve liability may be calculated on the net amount of insurance after deducting the amount of the lien.

6. The Valuation Exhibit is made up on the basis of excluding the expense, sick and accident (when the benefits are not valued), and special funds (i. e., funds other than general or expense funds not available for the payment of benefits), from the Asset side and excluding the liabilities of such funds from the Liability side.

If the sick and accident benefits are valued, both the assets and liabilities of the sick and accident fund should be included in the Valuation Exhibit. If such benefits are not valued, the assets and liabilities of the sick and accident fund should be excluded from the Valuation Exhibit, except that the excess of the matured liabilities of such fund over the balance in it, if any, should be included as a part of the liabilities of the mortuary or benefit funds.

Borrowed money should be excluded from both the admitted assets and the liabilities.

7. The ratio per cent of assets (actual and contingent), to liabilities (actual and contingent), should be shown for December 31, 1917, which is the basic date for comparison referred to in the valuation sections of both the Mobile and New York Conference bills. The percentages should also be shown for the current and four prior years. In making comparisons of the above percentages of solvency between various years, the ratios for all years should, of course, be calculated on the same basis.

8. In connection with the Valuation Exhibit on the "Accumulation Basis"—Section 23-b Method—use is made of a part of the Valuation Exhibit on the Section 23-a Method—Basis other than Accumulation. In this case the latter Exhibit is not required to be completely filled out.

Respectfully submitted,

GRADY H. HIPP, Actuary,
New York Insurance Department,
Albany, N. Y.

H. G. BRUNNQUELL, Actuary,
Wisconsin Insurance Department,
Madison, Wis.

JEAN M. LEGRIS, Actuary,
Rhode Island Insurance Department,
Providence, R. I.

J. F. WILLIAMS, Actuary,
Division of Insurance,
Department of Trade and Commerce,
Springfield, Ill.

THOMAS F. TARBELL, Actuary,
Connecticut Insurance Department,
Hartford, Conn.

Chairman Donaldson: Gentlemen, you have heard the report of the Executive Committee. Those in favor of the adoption of the report please say "Aye." Opposed. It is carried.

Commissioner Phillips: Mr. President, the Executive Committee also presents a report, I haven't had time to prepare it, and that is they met this morning and unanimously decided that the December meeting be held at the Hotel Astor in New York City, December 6th, 7th and 8th.

Chairman Donaldson: The Convention has heard the report of the Executive Committee as to the time and place of the mid-winter session, which is at the Hotel Astor, in New York City, December 6th, 7th and 8th. Those in favor please say "Aye." Opposed. It is carried.

The Secretary: Mr. Whitman proposed the following resolution.

The Secretary read the resolution as follows:

WHEREAS:

The National Association of Insurance Agents has constantly co-operated with the National Convention of Insurance Commissioners for the purpose of advancing the best interests of the agency force, the departments, the home offices and the insuring public, particularly with respect to providing for statutory requirements in matters of preparation of all candidates for agents' licenses:

Therefore, Be it Resolved, That this Convention express its appreciation of the commendable activity and constructive aims of the National Association of Insurance Agents.

Commissioner Whitman: I have been impelled to introduce this resolution because of the fact that the work of this Association has been brought quite forcibly to my attention during the past

summer. It was my pleasure to attend a meeting of this convention at Los Angeles in September. It was also my pleasure to be a member of the President's party as we went across the continent, and the enthusiasm with which this body was met by the different states and the different state associations along the line showed that they were doing great work. The enthusiasm at the convention also showed it. They have done, I think, their greatest work in their attempt to make the insurance agent what he was intended to be.

I also would commend Mr. Fred Cox, President of this Association, for his untiring work for the last four years in making this Association a force in the insurance business, and for this reason I have asked for the adoption of this resolution, that this Convention of Insurance Commissioners and the insurance public will work in common for the upbuilding of the insurance business.

Chairman Donaldson: Those in favor of the adoption of the resolution will signify by saying "Aye." Those opposed. It is carried.

Commissioner Mansfield: I have a resolution which I will ask the Secretary to read.

The Secretary read the following resolution:

"RESOLVED, That the National Convention of Insurance Commissioners as they adjourn their annual convention at Louisville, desire to make record of their appreciation of the services of the retiring President, Alfred L. Harty, of Missouri, and at the same time convey to Mr. Harty their gratitude for his appearance during the Convention, in spite of much physical suffering. The Convention further desires to convey to Mr. Harty their best wishes for his speedy recovery and for his future prosperity."

Commissioner Mansfield: I move its adoption.

The motion was seconded and carried.

Commissioner Wade: I have a resolution here I will have the Secretary read.

The Secretary read resolution advocating the enclosure of fire hazard warnings in cigarette and tobacco packages as follows.

WHEREAS, Eighty per cent of the deplorable fire waste of the United States and Canada is due to human carelessness and is, therefore, easily preventable, and

WHEREAS, A very considerable part of this preventable waste or an average sum of \$18,000,000 per annum in the United States alone is the direct result of the careless habits of smokers in handling matches and burning cigars, cigarettes and tobacco, and

WHEREAS, The destruction of American forests by fire is also reported by foresters as largely due to smoking by campers and travelers in the forests, it is hereby

RESOLVED, By the National Convention of Insurance Commissioners that smokers should be informed of the fire dangers that reside in the throwing away of unextinguished matches, cigars, cigarettes and tobacco, by the enclosure in all cigarette boxes and smoking tobacco cartons of such printed warnings as may bring this serious matter to their attention: and it is further

RESOLVED, That because the use and hazard of fire is inseparable from the use of smoking tobacco it is the moral obligation of all manufacturers or packers of tobacco to provide and enclose with their products fire hazard warnings of this character.

Commissioner Wade: Mr. President, I would like to state the Canadian Farmers' Association have adopted this resolution. The Association of Fire Marshals of North America at Chattanooga unanimously adopted it and it will be presented for adoption at the next meeting of the Fire Chiefs of the United States.

I move its adoption.

The motion was seconded and carried.

Chairman Donaldson: Various questions have reached the Secretary through what is known as the letter box on departmental rulings and problems.

The Secretary: "Should benefit societies, such as 'Police and firemen's funds,' and the 'Carnegie fund,' be required to make filings and enter the same as assessment companies?"

Chairman Donaldson: This question I suppose arises out of the laws of many states where a benefit association is composed of men of one order or business that is not subject to the state laws. We have the same in Pennsylvania and we do not require the filing of reports by police beneficial association or railroad orders.

Commissioner Walker: My reason for submitting that question is we have organizations similar to that one in our state, or to those mentioned, and the question arises as to what is the duty of the department toward the public in the matter, if they go on in the matter of their organization perhaps for a few years and have received dues covering that period of time, then a change takes place, are we going to be subject to criticism for not having entered into it in any way?

Commissioner Luning: It would depend upon the law the gentleman has in the state. If there are no laws to cover it I think it would be proper for him to get up a bill and introduce it into the Legislature.

The Secretary: Another query: "Where premium is collected in one state for bond written to cover contract performed in another state, to which state should tax be paid—to state covering situs of risk or to state covering situs of premium?"

In other words, is it paid where the risk is covered or where the premium is written?

Commissioner Fishback: In the state of Washington we require that that bond be written in our state; if the risk is located in our state it must be written through an agent in our state. Therefore, the premium would be credited to our state.

Chairman Donaldson: In other words, you mean where the risk is located.

Commissioner Whitman: I think in our state we require the tax to be paid upon the business written in our state notwithstanding the fact that it was written by an unauthorized company and signed outside the state. The risk is in fact a Wisconsin risk and the tax must be paid there. We have a statute which requires the insured to pay it if the company does not pay it.

Chairman Donaldson: We have a similar statute in Pennsylvania.

Commissioner Gearhart: I recently ruled to that effect notwithstanding my bureau was criticized somewhat by the council of the municipalities there.

Chairman Donaldson: We have a statute where an insurer may write with any unauthorized company provided he pays the state treasurer 3 per cent tax upon the premium.

Commissioner McMahan: How do you assure yourself of the collection in every case? The agent is out of the state, isn't he?

Chairman Donaldson: No.

Commissioner McMahan: Do you allow an agent within your state to write an insurance that is not licensed?

Chairman Donaldson: He is really not representing any foreign company. The agent has no participation, he is procuring for his client or telling him where to get coverage.

Commissioner McMahan: We have an incident in this matter that might help us. We have a law seeking to effect that in a certain way that if insurance is taken out in a company not licensed, then should a fire occur the adjusters violate the law if they adjust it unless the 3 per cent was paid on the premium within ninety days from the date of the policy. The result is that practically no premium or no tax is ever paid until the fire occurs and then you have to be on the alert to prevent some outside adjusters from coming in and making the adjustment. If it hasn't been paid there is a penalty of 29 per cent. It is a pretty heavy penalty but if the people expected the fire they doubtless would pay the 3 per cent. When they are insuring and paying the premium they evidently don't expect a fire.

Chairman Donaldson: I have had no contact or experience with anything of the kind.

Commissioner Walker: In submitting this problem, I am confronted with this situation. It perhaps enters into a matter of public policy. The case that I have in mind covers a tax which will be due the state of perhaps twelve hundred dollars on this particular contract. Now a communication comes in from a company bearing on the matter having seen something regarding it in the papers and that communication sets forth this thought: that if you demand that a tax be paid on this premium, the contract

having been written in another state, or having carried out in another state, we must retaliate and if we do so that will mean that the tax which is now coming to our state on business that is being performed in our state will more than offset by far the premium that is being exacted now in this case. Now the question is whether it is good public policy to enforce the law in that state. I am wondering what the action of the different states is in the matter.

Chairman Donaldson: I should say Mr. Walker that the question of retaliation involves so much investigation and research that I am rather more disposed to do some constructive work and hope that my Commonwealth will get taxes from other sources.

Commissioner Walker: Mr. President, may I say that the retaliation has not come from the state as a state, but from one of the companies of the state.

Chairman Donaldson: I will be very glad indeed if anything comes to my attention to submit a circular letter to all the members of the convention and get either an expression of opinion or a course of action. I am frank to state that I think it is a great mistake for any one department to make a drastic ruling which may go over the state line without having the whole matter submitted to the members of the convention.

The Secretary: The next: "Where protectograph companies are selling machines and checks for protecting the users against check forgery, and having some indemnity corporation issue policies as a further protection, but which policies are not specially sold but are issued gratis in connection with the sale of the machines and checks, should such indemnity corporations be required to make filings and enter the same as other indemnity companies?"

Chairman Donaldson: Mr. Walker, that came to your attention perhaps through the policy given out with the check protector and the question arises from the agent of discrimination or inducement to take insurance. I ruled that it was not inducement to take insurance but an inducement to take a check protector.

Commissioner Walker: We require the contracts to be signed by a resident agent.

Commissioner Fishback: I absolutely require that those policies shall be all countersigned by a resident agent.

Chairman Donaldson: Very likely, Mr. Fishback, the Protectograph Companies simply purchase from the casualty company a certain number of policies a year for so much.

Commissioner Fishback: We don't allow that. Each one must be issued through a resident agent in our state.

Chairman Donaldson: Suppose it was a domestic company and they simply sold directly to the consumer.

Commissioner Fishback: They can't sell anything in our state excepting through a resident agent.

Chairman Donaldson: I think Mr. Walker's query arises out of the question of inducements or rebating.

Commissioner Walker: Not altogether. My question arises out of the fact that policies are being placed in the state—indemnity policies—and should we get behind that fact to protect the public or are we going to permit certain policies to be unloaded on the public in that way?

Commissioner Hobbs: I think we all have had experience with that particular type of transaction where a company in selling its goods distributes with it without any expressed consideration therefor a bond, another form of insurance contract, supposed to protect the buyer of goods. It has been the ruling in my state, as in the state of Washington, that those contracts are regular insurance contracts covering property within the Commonwealth and, therefore, should be issued through a resident agent.

These contracts, while issued gratis to the purchaser, are probably paid for by somebody—the company that issues them—and I think that if you stand for the principle that insurance contracts may be bought in job lots and distributed for a consideration which is concealed in the purchase price of the machine, and I suppose they must reckon the cost of insurance in the price that they are paying for their machines, you are establishing a proposition that might in other lines of insurance lead to rather serious consequences. Suppose, for instance, an insurance company should distribute a liability policy along with an automobile without charging for it. I think we would very speedily see it was a very undesirable principle to establish. The consideration for the bond is undoubtedly small, nevertheless the same principle is involved and I think if that particular type of action were allowed to go outside the resident agents, it might lead to rather serious consequences.

Commissioner Fishback: One thing more: where this policy or indemnity is issued by a company not authorized in our state, we would immediately have the agent offering that arrested and punished by a fine of anywhere from one hundred to five hundred dollars, as our law provides. In case of a company authorized to do business there we would go after them, and we have had occasion to do it.

Chairman Donaldson: I think, Mr. Walker, your question surely is answered in the affirmative. If these companies are not admitted to your state, they are violating the law.

Commissioner McMahan: Just one word. It seems to me that there is almost inevitably a considerable amount of insurance taken out in unlicensed companies by mail, if not by agents dodging in and out of the state and violating the law and getting away before

they can be caught. I haven't had time to investigate it but I have thought that there ought to be an end put to it entirely by a state law that any contract of insurance in a company that has not qualified within the state shall be null and void, absolutely.

Now I don't think that the expense of protecting the people against unsafe insurances done by levying a tax on the premiums paid to domestic and licensed foreign companies should be wholly borne by those that desire to appear in the law and respect the policy of the state and should be escaped by those who prefer to stay off in their home states and by mail or otherwise obtain insurance and premiums from that state. It seems to me that equity and good policy require that we should find some conclusive mode of requiring all insurance to be subjected to the tests of safety that a normal insurance is subjected to and all insurance to share in the support of the supervision and inspection and protection as a great majority of insurers do.

Now I have thought of it a little without any time to investigate it legally, but unquestionably it is held by the Supreme Court of the United States that insurance is not a commodity and, therefore, is not subject to federal jurisdiction which is granted to the federal government under the Interstate Commerce clause of the Constitution. Therefore, we need not fear the power of the federal government.

I should think that the great majority of the insurance companies, since they are the companies that seek licenses in the usual way and endeavor with all good feeling to conform with the several state laws, would welcome a policy of excluding these pirate companies as they might well be called. Of course, many of them are wealthy and many of them do a very aristocratic and superior business and don't want agents and have a reputation and can be relied upon by their wealthy customers, and the fact that they can't be sued in the state where the property and contract are doesn't seem to make any difference in the taking of contracts of insurance with them, but there is another class of disreputables, of which we possibly hear nothing, that by mail in all sorts of circulars to the most ignorant and dependent and helpless of our population—especially the negroes in the South—are giving worthless, so-called insurance to these people and depriving these people of their just rights by giving them worthless policies which when the time of need comes, will be shown up to be worthless and unenforceable in every way. Therefore, my idea is to have the states establish a law that would absolutely render null and void any policy except written in a properly authorized company, and it doesn't seem to be at all radical. In view of our universal law now under the 18th amendment and the state laws previous to that in South Carolina, if you bought whiskey that was chemically pure as determined by the state chemists, why you committed a crime and you had no individual rights.

Commissioner Fishback: Just one thing: this matter I have referred to our Attorney General and had it up with him several times and he has ruled it to be unconstitutional for us to try to interfere with any insurance business done by means of the United States mail, and I think about all we can do is to show to these people that they can get no service on these companies in case of a loss and it would be to their disadvantage to have anything to do with these companies who are not authorized to do business in the state.

I don't believe anything can be done constitutionally to stop these companies from writing business through the United States mail.

Chairman Donaldson: May I ask whether the main objection is merely the fact that they are not admitted or that their policies are trick policies, or is it not a fact that much of this is written because your laws don't permit your domestic companies or the foreign companies who are admitted to give the same kind?

Commissioner Fishback: The principal thing is because we can't get service for the people in case of dispute. We have a proposition, as I say, whereby all this business can be written in unauthorized companies providing an affidavit is made by the assured and by the agent that they are unable to procure the insurance from authorized companies, then they have the right to go to unauthorized companies but not so long as they can procure it from authorized companies who are in there paying their regular dues, and I will say further that the agent for an unauthorized company must pay the regular rate of taxation on all premiums which he collects for unauthorized companies. In fact, in 1916 I had a bill introduced into Congress trying to cover this thing and that is where I found out that the United States mail could be used in this way.

Commissioner Luning: I had the same experience. They ruled just as Mr. Fishback said.

We have a great many non-resident property holders in my state. The agents claimed that they were paying their part of the maintenance of the state government and that they were properly entitled to the insurance. I prepared a bill to put through in 1917 called a non-resident insurance law. It provides that a non-resident property owner may insure in the state through a broker or a resident agent in my state. The law allows the agent to write an agent of my state and say, "Handle this for me. I will divide commissions with you," and I find that works very satisfactorily. The agents as a rule want to be amicable with each other and want to do the right thing. It is perfectly proper and right that the man who gets the business should get something out of it; he doesn't want to turn it all over to this fellow down here. Until that law was passed, he just wrote it himself, did it by mail and took the chance.

I further tried to remedy it in this way: whenever I heard of it

I would write to the insured and ask him not to do that, that in the first place if he had a law suit he couldn't use our state courts for the purpose, that he would have to go to the federal courts, that he would be working at a big disadvantage and possibly a loss, besides he was not a good law abiding citizen by doing it, but you can't prohibit it. The United States government will allow the use of the mails for any business purpose and the state can't stop it.

Commissioner Whitman: I would just like to state that our Attorney General has held just the contrary to Mr. Fishback's. He has held that doing business by mail with a citizen of our state is in fact doing business within the state, but where the difficulty arises, there is nobody to arrest for violation of law. I think it is probably a very good law. Notwithstanding the fact that you are doing business by mail, you are in fact doing business within the state, but you are powerless to arrest anybody because he may be in New York or Pennsylvania and you can't get him.

Commissioner Ramey: In Kentucky we keep a note of those who violate the law and then when they apply for admission in Kentucky they have a devil of a time getting in.

Mr. White: We have had that question up in West Virginia. We have been having the same difficulty. The only way we can meet the situation in the insurance department is to appeal to them and tell them if they have any difficulty or any trouble they can't get service, that they have got to go to their state, and of course we try to discourage anything of that kind.

Our only remedy is, when they send representatives or agents into the state we nab them. We nabbed one last week. When I started for this trip a trial was being held out in the state because they got anxious and sent a representative in the field and we knew he was coming and we were ready for him.

Chairman Donaldson: After all, a good deal of this question arises because of competition between brokers and agents.

Mr. White: Yes, and I think it is a mistake, I think the reciprocal should be under the jurisdiction of the insurance departments, but so far our people have not seen fit to admit them, and bills have been introduced to that effect in the last two sessions.

Commissioner Mansfield: I don't see how you are going to get around a constitutional question. Of course, I can't conceive of anybody who doesn't want to insure with the Connecticut Company and yet if there is such a man who wants to go outside, what is to prevent him? If I want to insure my life in a company in Nebraska, which is just as good in my opinion as any other company, why shouldn't I have the right to do it? Do you want to take away from me that liberty of insuring where I see fit? We would run up against a constitutional proposition in my judgment right off.

Chairman Donaldson: There are two other questions. "How is the business written by non-admitted companies, such as Lloyds and Postal Life, controlled by the departments of the several states?" "What special efforts are made or system used to discover policy-holders in unlicensed companies?"

I am afraid that would entail a very long debate and I doubt if any one of the convention has ever used detective services to get any information of that sort.

Commissioner Ramey: Here is a report from the Committee on Actuarial Bureau:

The Secretary read the report as follows:

WHEREAS, The National Board of Fire Underwriters, with the approval of the National Convention of Insurance Commissioners, has and at a great expense established an Actuarial Bureau for the purpose of furnishing official, accurate and economical classifications of liability assumed, premiums and losses in each state of the United States in accordance with the approved form; and

WHEREAS, The Actuarial Bureau will be able to furnish detailed classification statistics to each state covering three full years on May 1, 1922; four full years on May 1, 1923; five full years on May 1, 1924, and annually thereafter. Be it, therefore,

RESOLVED, That the National Convention of Insurance Commissioners goes on record as renewing its approval of the work of the Actuarial Bureau and recommends the acceptance of its state statistics on the bases and dates set forth above. Be it further

RESOLVED, That where states require five years classification statistics in detail and demand the same of individual companies instead of awaiting their production through the Actuarial Bureau, the cost of furnishing such statistics shall be chargeable directly to the state making the demand in any consideration of the profits derived from underwriting on the operations in that state, as it would be discrimination to allocate them to pro rata to other states not making such demands.

JAMES F. RAMEY,
H. O. FISHBACK,
BRUCE T. BULLION,
Committee.

Commissioner Ramey: I move the adoption of the report.

The motion was seconded and carried.

Commissioner Mansfield: There is another resolution I will ask the Secretary to read.

The Secretary read resolution of appreciation to Kentucky as follows:

The National Convention of Insurance Commissioners prior to the adjournment of the 1921 conclave, desire to convey to the citizens of Kentucky their most pronounced appreciation of the memorable courtesies tendered to the Convention members individually and collectively.

The very name "Old Kentucky" has ever suggested state pride, progress, dominant manhood and delightful womanhood.

The members of the Convention are eager to acknowledge that all the good things known to them in a vision of "Ole Kaintuck" has been reborn in their experiences as guests of the Commonwealth.

The welcome of his excellency Governor E. P. Morrow was but the forerunner of actual and delightful exemplification.

We return to our homes throughout the Nation with a hope that the future will permit of the entertainment of Kentuckians in our own respective states.

We cannot but make individual reference to some who have been most generous in their attentions. We accordingly tender our heartfelt thanks:

To W. J. and Charles F. Williams for marked courtesy in a delightful entertainment on the steamship "Andes" and those who assisted them.

To Mr. and Mrs. James R. Duffin for a memorable evening in their hospitable home;

To our former associate in the Convention, Clarence W. Thomas;

To Stanley Reed whose courtesies were alone exceeded by his energy;

To Claud F. Snyder, of Lexington, and his associates in the delightful city of Lexington who fully sustained the reputation of that municipality for the entertainment of visitors;

To W. W. Gaunt and those who assisted him in arranging such a splendid barbecue burgoo and entertainment at the fair grounds;

To Miss Elizabeth Dangerfield for the opportunity cordially tendered to inspect the world's greatest race horse;

To Colonel E. H. Taylor, Jr., who has done so much in scientific live stock raising;

To George W. Johnson, the most courteous secretary of the Entertainment Committee;

To the Home Officers of Domestic Insurance Companies, the Financial Institutions, the Board of Trade and the various organizations which contributed so generously to the entertainment of the convention;

To C. I. Hitchcock, himself invariably adopted as a factor at all conventions of Commissioners, and himself one of the best exponents of Kentucky hospitality and to his charming wife;

And last, but not least,

To our own good friend and associate, James F. Ramey, an ideal public official, a gentleman of energy and attainments and a true son of Kentucky in all that the word conveys.

Commissioner Mansfield: I move its adoption.

The motion was seconded and carried.

Mr. T. W. Blackburn (Secretary, American Life Convention): Just at this time would you permit those of us who have participated in these festivities with you as guests to express our appreciation in these few words? (Applause.)

Gentlemen, the American Life Convention holds its annual meeting in Indianapolis the coming week. Each of you have received invitations to attend this annual meeting of the American Life Convention which, as most of you know, is made up of 135 companies in thirty-eight states in the Union. On behalf of the Convention I want to again tender you an invitation to come over and be with us and see the executives of these organizations in action.

Chairman Donaldson: The next order of business is the election of officers. First is the election of a President.

Commissioner Phillips: Our time is short and I am not going to detain you long with a nominating address. The man whom I am about to nominate to the position of President is well known to you. He has already demonstrated his ability as presiding officer.

Aside from that, since he has been in the office which he now holds, he has in an unusual degree manifested an interest in insurance problems, and with all due deference to the former Commissioners of Pennsylvania I think he is the best one in the last twenty-five years. (Applause.) He is a good friend of mine, he is a good friend of all of us and a good insurance man and a typical President. I nominate Mr. Donaldson for the office of President for the ensuing year.

The nomination was seconded.

Commissioner Phillips: If there are no further nominations I move that the Secretary be instructed to cast the ballot of the Convention for Mr. Donaldson.

The motion was seconded and carried.

The Secretary: I cast the unanimous vote of the Convention for the Hon. Thos. B. Donaldson for President for the ensuing year. (Applause.)

Chairman Donaldson: Nominations for First Vice-President.

Commissioner Van Camp: What has been said about Tom Donaldson applies equally well to the man I am going to nominate for First Vice-President. The man whom I have in mind is a man who is in every way qualified to handle the various duties of this office. I take pleasure in presenting the name of Hon. Platt Whitman, of Wisconsin. (Applause.)

The nomination was seconded.

Commissioner Van Camp: If there are no other nominations I move that the rules be suspended and the Secretary be instructed to cast the entire vote of the Convention for Hon. Platt Whitman for First Vice-President for the ensuing year.

The motion was seconded and carried.

The Secretary: The Secretary takes pleasure in announcing that the unanimous vote of the Convention is cast for Platt Whitman, of Wisconsin, for First Vice-President for the ensuing year.

Chairman Donaldson: The Chair announces the election of Mr. Whitman.

Second Vice-President.

Commissioner Mansfield: Mr. President, I take great pleasure in nominating for this office the greatest of them all. Much has been said about those who have already been nominated and elected but I am sure you will agree with me in my comment when I say that I desire to put in nomination Hon. H. O. Fishback, of Washington. (Applause.)

The nomination was seconded.

Commissioner Mansfield: If there are no other nominations I move that the Secretary be instructed to cast the unanimous vote of the Convention for Hon. H. O. Fishback.

The motion was seconded and carried.

The Secretary: The Secretary takes great pleasure in casting the unanimous vote of the Convention for Hon. H. O. Fishback, of Washington, for Second Vice-President for the ensuing year. (Applause.)

Chairman Donaldson: The Chair announces the election of Mr. Fishback.

Next is Secretary-Treasurer.

Commissioner Wade: It gives me peculiar pleasure this morning to nominate a gentleman who is loved and respected by every member of the Association. I feel that he is the motive power of this great Convention. I refer to Col. Joseph Button, of the state of Virginia, and I move that the President be authorized to cast the unanimous vote of the Convention for Col. Button for Secretary-Treasurer.

The motion was seconded and carried.

Chairman Donaldson: The Chair casts the unanimous vote of the Convention for Col. Joseph Button for Secretary-Treasurer for the ensuing year.

Next is the Executive Committee.

Commissioner Button: The present Executive Committee consists of the following members:

Jesse S. Phillips, New York, Chairman.
 Burton Mansfield, Connecticut.
 W. N. Van Camp, South Dakota.
 A. C. Savage, Iowa.
 Clarence W. Hobbs, Massachusetts.
 James F. Ramey, Kentucky.
 Jos. G. Brown, Vermont.

I move that the present Executive Committee be continued and Mr. Phillips continue as Chairman.

Chairman Donaldson: Any further nominations?

If not, the Chair will entertain a motion that the Secretary be directed to cast the ballot for the members as they now stand.

Commissioner Wade: I make that motion.

The motion was seconded and carried.

The Secretary: The Secretary casts the unanimous vote of the Convention for the seven members of the Executive Committee whose names he just read.

At 12 o'clock the Convention, on motion of Commissioner Phillips, went into Executive Session.

At 1 o'clock the regular session was resumed and the President announced that the only positive action taken therein was the

adoption of a resolution appointing the Secretary-Treasurer of the Convention the permanent Chairman of the Committee on Examinations and increasing his salary \$500 per annum.

Commissioner Phillips: I move that we adjourn to meet in New York, December 6, at the Hotel Astor.

Motion seconded and carried.

Adjournment.

CONVENTION RECORD.

The following is a Record of Officers and List of Places at which the National Convention of Insurance Commissioners has been held since its organization.

Session.	Place of Meeting.	President.	Vice-President.	Secretary.
1, 1871	New York, N. Y.	Geo. W. Miller, N. Y.	L. Breeze, Wis.	H. S. Olcott, N. Y.
2, 1871	New York, N. Y.	Geo. W. Miller, N. Y.	L. Breeze, Wis.	H. S. Olcott, N. Y.
3, 1872	New York, N. Y.	Geo. W. Miller, N. Y.	L. Breeze, Wis.	H. S. Olcott, N. Y.
4, 1873	Boston, Mass.	L. Breeze, Wis.	J. W. Foard, Cal.	O. Pillsbury, N. H.
5, 1874	Detroit, Mich.	O. W. Chapman, N. Y.	S. H. Rowe, Mich.	O. Pillsbury, N. H.
6, 1875	New York, N. Y.	O. W. Chapman, N. Y.	S. H. Rowe, Mich.	O. Pillsbury, N. H.
7, 1876	Harrisburg, Penn.	S. H. Rowe, Mich.	O. Pillsbury, N. H.	S. H. Rhodes, Mass.
8, 1877	St. Paul, Minn.	S. H. Rowe, Mich.	O. Pillsbury, N. H.	S. H. Rhodes, Mass.
9, 1878	Providence, R. I.	O. Pillsbury, N. H.	A. R. McGill, Minn.	O. T. Welch, Kan.
10, 1879	St. Louis, Mo.	O. Pillsbury, N. H.	A. R. McGill, Minn.	O. T. Welch, Kan.
11, 1880	Chicago, Ill.	A. R. McGill, Minn.	J. L. Clarke, Mass.	O. T. Welch, Kan.
12, 1881	Detroit, Mich.	J. L. Clarke, Mass.	F. L. Spooner, Wis.	O. T. Welch, Kan.
13, 1882	Niagara Falls, N. Y.	J. L. Clarke, Mass.	J. A. McCall, Jr., N. Y.	O. T. Welch, Kan.
14, 1883	Columbus, Ohio	O. Pillsbury, N. H.	C. H. Moore, Ohio	J. W. Brooks, Conn.
15, 1884	Chicago, Ill.	J. A. McCall, Jr., N. Y.	E. Pringle, Mich.	C. P. Swigert, Ill.
16, 1885	Chicago, Ill.	J. A. McCall, Jr., N. Y.	H. J. Reinmund, Ohio.	C. P. Swigert, Ill.
17, 1886	St. Paul, Minn.	J. K. Tarbox, Mass.	S. R. Cross, R. I.	C. Shandrew, Minn.
18, 1887	Niagara Falls, N. Y.	P. Cheek, Jr., Wis.	O. R. Fyler, Conn.	R. B. Brinkerhoff, Ohio.
19, 1888	Madison, Wis.	O. R. Fyler, Conn.	S. E. Kemp, Ohio.	J. A. McEwen, Ohio.
20, 1889	Denver, Colo.	Geo. S. Merrill, Mass.	S. E. Kemp, Ohio.	Geo. B. Luper, Pa.
21, 1890	Cleveland, Ohio	Chas. P. Ellerbe, Mo.	Geo. B. Luper, Pa.	Chas. B. Allen, Neb., 2.
22, 1891	St. Louis, Mo.	Geo. B. Luper, Pa.	Wm. H. Kinder, Ohio.	J. J. Brinkerhoff, Ill.
23, 1892	St. Paul, Minn.	John C. Linehan, N. H.	C. N. Smith, Minn.	J. J. Brinkerhoff, Ill.
24, 1893	Chicago, Ill.	Jas. F. Pierce, N. Y.	B. K. Durfee, Ill.	J. J. Brinkerhoff, Ill.
25, 1894	Alexandria Bay, N. Y.	B. K. Durfee, Ill.	W. M. Hahn, Ohio.	Fred L. Cutting, Mass.
26, 1895	Mackinac Isl., Mich.	W. M. Hahn, Ohio, 3.	Jas. R. Waddill, Mo.	Fred L. Cutting, Mass.
27, 1896	Philadelphia, Pa.	Jas. R. Waddill, Mo., 4.	Stephen W. Carr, Maine	Fred L. Cutting, Mass.
28, 1897	Old Pt. Comfort, Va.	Stephen W. Carr, Maine	W. A. Fricke, Wis.	Fred L. Cutting, Mass.
29, 1898	Milwaukee, Wis.	Elmer H. Dearth, Minn., 7.	Milo D. Campbell, Mich.	J. J. Brinkerhoff, Ill.
30, 1899	Detroit, Mich.	Ed. T. Orear, Mo.	W. S. Matthews, Ohio.	J. J. Brinkerhoff, Ill.
31, 1900	Hartford, Conn.	J. A. O. Shaughnessy, Minn., 8.	E. L. Scofield, Conn.	J. J. Brinkerhoff, Ill.
32, 1901	Buffalo, N. Y.			

CONVENTION RECORD.—Continued.

Session.	Place of Meeting.	President.	Vice-President.	Secretary.
33, 1902	Columbus, Ohio.	W. H. Hart, Ind.	F. A. Howland, Vt.	J. J. Brinkerhoff, Ill.
34, 1903	Baltimore, Md.	A. I. Vorys, Ohio.	John L. Bacon, Vt.	J. J. Brinkerhoff, Ill.
35, 1904	Indianapolis, Ind.	John L. Bacon, Vt.	James V. Barry, Mich.	J. J. Brinkerhoff, Ill.
36, 1905	Bretton Woods, N. H.	Frederick L. Cutting, Mass.	James V. Barry, Mich.	J. J. Brinkerhoff, Ill.
37, 1906	Washington, D. C.	James V. Barry, Mich.	Theron Upson, Conn.	J. J. Brinkerhoff, Ill.
38, 1907	Richmond, Va.	Geo. H. Adams, N. H.	Reau E. Folk, Tenn.	J. J. Brinkerhoff, Ill.
39, 1908	Detroit, Mich.	Reau E. Folk, Tenn.	E. F. Carroll, Iowa.	J. J. Brinkerhoff, Ill.
40, 1909	Colorado Spgs., Col.	B. F. Crouse, Md.	F. W. Potter, Ill.	J. J. Brinkerhoff, Ill.
41, 1910	Mobile, Ala.	John A. Hartigan, Minn.	Eugene J. McGivney, La.	J. A. Hartigan, Minn.
42, 1911	Milwaukee, Wis.	Joseph Button, Va.	T. H. Macdonald, Conn., 9	H. R. Cunningham, Mont.
43, 1912	Spokane, Wash.	F. W. Potter, Ill.	Frank H. Hardison, Mass.	H. R. Cunningham, Mont.
44, 1913	Burlington, Vt.	Frank H. Hardison, Mass.	1st. James B. Young, N. C.	F. H. McMaster, S. C., 10.
45, 1914	Asheville, N. C.	James R. Young, N. C.	2d. Willard Done, Utah.	F. H. McMaster, S. C.
46, 1915	Del Monte, Cal.	John S. Darst, W. Va.	1st. Willard Done, Utah, 11.	F. H. McMaster, S. C.
47, 1916	Richmond, Va.	Burton Mansfield, Conn.	2d. J. S. Darst, W. Va.	F. H. McMaster, S. C.
48, 1917	St. Paul, Minn.	Jesse S. Phillips, N. Y.	1st. Burton Mansfield, Conn.	F. H. McMaster, S. C.
49, 1918	Denver, Colo.	Emory H. English, Iowa, 12	2d. John T. Winship, Mich.	F. H. McMaster, S. C.
50, 1919	Hartford, Conn.	C. W. Fairchild, Col.	1st. John T. Winship, Mich.	F. H. McMaster, S. C.
51, 1920	Beverly Hills, Cal.	Jos. G. Brown, Vt.	2d. W. C. Taylor, N. Dakota.	F. H. McMaster, S. C.
52, 1921	Louisville, Ky.	F. H. Ellsworth, Mich., 17	1st. John T. Winship, Mich.	F. H. McMaster, S. C., 15.
			2d. Emory H. English, Iowa.	F. H. McMaster, S. C., 15.
			1st. Robt. J. Merrill, N. H., 18	F. H. McMaster, S. C., 15.
			2d. M. J. Cleary, Wis., 14.	F. H. McMaster, S. C., 15.
			1st. Jos. G. Brown, Vt.	Joseph Button, Va.
			2d. Frank H. Ellsworth, Mich.	Joseph Button, Va.
			1st. F. H. Ellsworth, Mich.	Joseph Button, Va.
			2d. J. B. Sanborn, Minn., 16.	Joseph Button, Va.
			1st. A. L. Harty, Mo., 18	Joseph Button, Va.
			2d. T. B. Donaldson, Penn., 19.	Joseph Button, Va.

1. Mr. Tarbox died before the Convention assembled. The Hon. Oliver Pillsbury, of New Hampshire, was chosen to preside over the Convention.
2. Elected, but resigned before acting in Convention in 1891, and J. J. Brinkerhoff, of Illinois, was chosen in his stead.
3. Out of office at date of Convention, Jas. R. Waddill, of Missouri, elected to preside.
4. Out of office at date of Convention, Stephen W. Carr, of Maine, elected to preside.
5. Not in attendance, J. J. Brinkerhoff chosen as Secretary pro tem.

6. Elected, but declined, J. J. Brinkerhoff chosen in his stead.
7. Out of office at date of Convention, Ed. T. Orear, of Missouri, elected to preside.
8. Out of office at date of Convention, W. H. Hart, of Indiana, elected to preside.
9. Elected at Mobile, but out of office at date of Milwaukee Convention. Vacancy not filled until general election.
10. Elected in March, 1912, to succeed Mr. Cunningham, who had resigned.
11. Elected, but resigned before acting in Convention.
12. Elected, but resigned in January, 1913.
13. Elected, but resigned in November, 1917.
14. Elected 1st Vice-President at adjourned meeting in December, 1917, to succeed R. J. Merrill, resigned, and elected President by the Executive Committee in January, 1918. Presided at Denver, 1918.
15. Elected, but resigned in December, 1917. Joseph Button, of Virginia, elected at adjourned meeting in December, 1917.
16. Elected, but resigned in June, 1920.
17. Elected, but resigned in June, 1921.
18. Elected President by the Executive Committee in June, 1921. Presided at Louisville, 1921.
19. Elected First Vice-President by the Executive Committee in June, 1921.

APPENDIX

"INSURANCE SUPERVISION IN CANADA."

Address of V. Evan Gray, Superintendent of Insurance, Ontario.

After some brief introductory remarks Mr. Gary said:

"I have the honor to represent today an Association of a somewhat similar character to your own, known as the Association of Superintendents of Insurance of the Provinces of Canada. If imitation is the sincerest flattery, a description of the organization and functions of that Association, would be the highest compliment I could pay you, for both its organization and its purposes are moulded after your National Convention of Insurance Commissioners. We have not yet that enviable record of accomplishment which the history of your convention shows, but that is, we believe, because of the comparative newness of our Association rather than through any lack of intention or capacity to achieve.

We, in Canada, have been greatly impressed by the effectiveness with which your convention has functioned and with the results which you have achieved. We would expect your work to be handicapped by the constantly changing personell of your convention, by the large number of individual units which are represented here and by the immense distances which many must travel to attend your conferences. Nevertheless, you have accomplished much in securing increased efficiency in insurance supervision and uniformity in law and regulation in your individual states, which those who engaged in the business of insurance in the United States before the initiation of the Convention's programme would have declared impossible.

It is not strange that Insurance Superintendents in Canada should find much in your experience which is similar to the conditions which they meet in their own. A moment's reflection reminds us that the general conditions which the insurance business has to meet in Canada are very similar to those in your own country, territorially, economically, and personally. The same insurers serve our people. Out of 260 insurers registered in the Dominion for the transaction of business throughout Canada, that is to say, in more than one Province 114 are companies whose Head Offices are situate in the United States. Naturally the organization of the business of these insurers is largely similar to that of the organization of the same insurers in the United States; almost necessarily, therefore, our modes of doing business have adapted themselves to yours.

While I admit the tremendous influence on the business which has been exercised by conditions in the United States, I do not intend to minimize the effect of that other great stream of influence which has come from Great Britian. We are drawn to the Old Land by ties whose number and strength I cannot expect to fully represent to you. The old dictum that there is no sentiment in business has been discountenanced and disproved past all currency, and whatever the influence of physical position or economic condition, it must take second place to the greater influence of history and kinship. Co-related to the fact of the large proportion of United States companies which operate in Canada is the fact that of the total of 260 companies which I mentioned 65 have their chief offices in Great Britian. These with a history going far back even beyond that of the United States companies and with an unequalled world-wide experience, were bound to greatly affect Canadian conditions.

In so far as Insuranc supervision is concerned, these two streams of influence of which I have been speaking were of very definite and different characters. In Great Britian as you know, there is exceedingly little Governmental intervention or supervision of insurance business. The watchwords of Legislators have been publicity in the affairs and business of the companies but freedom from Legislative interference or restraint. On the other hand, in the United States, I venture to say that there has been an exceedingly great intervention in and supervision of the business of Insurance by Governments and the watchword of the Legislators of this country has apparently been "Regulation by Legislation."

Nothing could happen at the confluence of these two streams in Canada other than a middle policy of publicity, supervision, regulation and reasonable freedom. Certainly we have departed a long way from the British precedent by effecting a very considerable supervision and regulation, but I think we are also somewhat apart from your principles and practice in that the development of the business itself is always in advance of the regulating legislation. I venture to think that in Canada our insurers have been given a freer rein in the development and extension of their business than has been allowed under your laws. For example, we have nothing in Canada similar to the legislative requirements in some states that insurance companies may not invest in the shares of other corporations and must dispose of all such shares previously acquired within a limited time. Or a requirement that a company cannot insure an automobile under one policy against fire and public liability or that an insurance company may not hold the shares of another insurance company.

Of course I realize the danger of generalizations on such wide subjects as these and offer these observations with due regard for the many exceptions to all such rules.

If I am to give you a birds-eye view of Insurance supervision in Canada I must mention in the very beginning, that fact of the dual authority, Federal and Provincial, in regard to Insurance matters. I shall assume that you are interested in this phase of the Canadian experience because it may have a bearing upon your own problem or if not a problem—your own discussion of the merits of federal vs. state regulation of insurance.

We have in Canada the same problems as you in regard to the complimentary jurisdictions of local and federal authority. The solution of the constitutional problems which result have been a fairly constant duty of our courts since Confederation. Unlike you, however, Insurance has for many years been one of the fields upon which the battle of Provincial rights vs. Federal authority has been most actively engaged.

Our Constitution makes no express reference to insurance and the Provinces were already in possession of the Legislative field at the time of Confederation, but tempted by its revenue requirements in the early days, the Dominion made an adventure into the field of Insurance legislation in its first parliament by requiring insurance companies carrying on business throughout Canada to deposit with the Minister of Finance the sum of \$50,000 each. The aggregate fund thus received made no small part of the revenue of the early years of the new Confederation. From this adventure in insurance legislation the Dominion was led on from year to year in the extension of its control over insurance companies.

From the very beginning of this movement strong objection was made that the regulation of the business of insurance was exclusive right and duty of Provincial legislatures, but these objections were repeatedly overborne—not in the courts—but in Parliament where the exigencies of Governments were the controlling factor. As a result, we have both in the Dominion and the Provinces insurance supervising departments and insurance regulating statutes.

You will wonder, of course, that the Federal Authority so exercised was not directly challenged by the Provinces. I shall explain later that in some aspects it was frequently challenged, but in so far as authority over Dominion incorporated insurance companies was concerned the Act had very ingenious basis which was explained by Sir George Foster, then Minister of Finance for Canada in the House in 1895, in answer to an objection that Federal authority was being extended beyond its proper limits by enactments and regulations relating to insurance. In answer to an objector, Sir George, then Mr. Foster, said, "I think my Honorable friend does not understand the measure. There is already an insurance Act passed by the Parliament of Canada and any company asking to come under the provisions of that Act and to exercise the right of insuring in our country under that Act must submit to its conditions. An insurance company can be incorporated in say, Ontario, and confine its business to that Province, without coming under these provisions of the Act in this regard, but if it makes application to do business throughout the Dominion and wishes to come under this Act it must

comply with the conditions, and make a deposit of \$50,000, but no company need do this unless it likes." Thus the basis of Federal authority in insurance matters is in fact the voluntary submission of insurance companies to its provisions when they apply to the Dominion of Canada for a license under the provisions of the Dominion Act and the sanction imposed to make its provisions effective is the withdrawal of the license.

Let me interpolate here that it was at a later date determined by the courts in the case of *Bonanza Creek Gold Mining Company vs. The King* that provincially incorporated companies might carry on business outside the Province of incorporation without any Dominion license. Sir George Foster was therefore mistaken, or rather the courts subsequently differed from him, in suggesting that the capacity of Provincial insurance companies was territorially limited to the Province of their incorporation.

A check or reverse to this policy of extension of Federal authority with regard to insurance was met by the Dominion when the constitutionality of its Act was challenged and a reference of certain constitutional questions to the Privy Council in England, the highest court in the Empire, was taken. This reference was disposed of in 1916 by a judgment declaring the two sections of the Dominion Insurance Act most important from a constitutional aspect to be unconstitutional, viz.: the sections prohibiting the business of insurance by corporations other than those licensed by the Dominion and the section prescribing penalties for violations of the Act. The court used very positive words to the effect that a provision prohibiting, under penalty, any person or corporation from engaging in insurance business unless it be done by or on behalf of a company of underwriters holding a license from the Minister deprives private individuals of their liberty to carry on the business of insurance and is an interference with the civil rights of individuals and corporations as well as an encroachment upon the legislative powers of provinces to confer such rights upon corporations beyond the provincial limits. The judgment further states that power of the Dominion to legislate for "The regulation of Trade and Commerce" does not extend to the regulation of a particular trade within a Province in which persons would otherwise be free to engage.

Their Lordships added that it would be within the power of the Parliament of Canada, by properly framed legislation, to impose the necessity of a license on a foreign company coming into any Province of Canada to carry on business, this power being incidental to the jurisdiction of the Dominion in respect of the regulation of Trade and Commerce and the naturalization and Aliens.

Following this decision the Dominion Insurance Act was re-cast with a view to maintaining, if possible, the jurisdiction of the Insurance Department as it had been before the decision.

The penalty provisions which had been held unconstitutional were transferred to the Criminal Code. The amending provisions of the Insurance Act were so drafted as to invoke as far as possible, in the case of British and Foreign companies, the jurisdiction of the Dominion over immigration and naturalization and Aliens.

In the result the Dominion Insurance Act contains such astonishing provisions as these, "It shall not be lawful for an alien whether a natural person or a foreign company within Canada to solicit or accept any risk—except under license from the Minister," and "it shall not be lawful for any British company or for any British subject not resident in Canada to immigrate into Canada for the purpose of opening or establishing any office or agency for the transaction of any business of or relating to insurance—unless under a license from the Minister."

Representing one of the Provincial Departments, I naturally hold to the provincial view, but I think I can say without undue bias that there is a substantial body of opinion amongst lawyers in Canada in support of the view that the Act as amended is still unconstitutional. In a recent case, the Privy Council has declared that "what cannot be done directly cannot be done indirectly" and it is quite arguable and is in fact apparent on the face of the new Act that an effort has been made to avoid the result of the decision in the insurance reference.

In the meantime, as might be expected, the Provinces have not been slow to maintain their own claims to Legislative authority on the same subject matter and as the business of insurance developed throughout Canada there were developed in the Provinces Insurance Acts co-extensive in their scope and in many cases similar in provisions to the Dominion Act for the regulation of the business in the Provinces. So, in each Province you will find complete provisions for the incorporation of insurance companies by authority of the Province and their government and regulation, together with elaborate provisions specifically relating to contracts of insurance, their form and incidents.

This last named condition suggests another important development of our jurisprudence, namely, the establishment of the supremacy of the law of the Province in regard to contracts of insurance. This was first tested by an action calling in question the validity of a provincial statute which required all insurance companies carrying on the business of fire insurance in Ontario to insert in their policy contracts certain statutory terms and conditions. In 1881, in the celebrated case of *Citizens Insurance Company vs. Parsons*, the Privy Council decided that the enactment of this Act was within the authority of the Provincial Legislature and that all insurers carrying on business in the Province must comply with its requirements.

To sum up the present situation with regard to the distribution of authority between Federal and Provincial Legislatures in insurance matters, I submit the following as a fair analysis. (a) Both the Dominion and the Province have jurisdiction to incorporate insurance companies and both give to such corporations the capacity to extend their business territorially beyond the limits of the incorporating authority subject to the law of the jurisdiction into which that business may be extended. (b) Both Dominion and Province have exclusive authority to provide for the regulation of their respective creations in so far as their capacities are concerned, that is to say, their powers as artificial persons, the duties and responsibilities of directors and management, the rights of shareholders, the transfer of shares, meetings of share-holders, and other similar corporate regulations. (c) The conditions of insurance contracts and the rights of the parties to insurance contracts are governed by Provincial law.

When the inherent capacities of a Dominion and Provincially incorporated insurer are compared the following appears to be the result of the decisions. First, outside of Canada they have the same capacity to receive from another jurisdiction the right to carry on their business in that jurisdiction. Second, within Canada and outside the Province of incorporation of the Provincial company, the Provincial company may operate with the consent of the other Province; the Dominion company, however, has an inherent right to carry on its business throughout Canada of which it cannot be deprived by Provincial authority. Third, both classes of insurers are equally responsible to the civil law of the Province in which their business is conducted and must comply equally with the requirements of the Provincial law.

It would be rather difficult to indicate exactly what effect the uncertainty of the law and duplication of authority has had upon the insurance business as a business. In recent years the question has not troubled insurers seriously because there has been a kind of understanding or at least a mutual self-limitation of legislative authority to fairly well defined fields. I do not intend to imply that the Provincial and Dominion authorities sat down together and agreed to limit their respective fields of authority, rather, each permitted the other to exercise authority in certain recognized fields in the hope that it would not be interfered with in its own jurisdiction. The substance of this division came to be that the Dominion was allowed to enact such legislation and make such regulation in regard to the companies which sought a license from Dominion authority as they saw fit, so long as that legislation or regulations did not encroach upon the nature of the contract of insurance or the rights of the insured under such contracts. The Provincial authority on the other hand, was allowed to exercise an exclusive jurisdiction in regard to its own incorporations and to deal generally with the subject matter of the insurance contract by legislation prescribing statutory conditions for Fire Insurance policies, the rights and status of benefi-

ciaries under contracts of Life Insurance, and other matters generally incident to the rights at law of the parties to the contract of insurance.

In so far as Departmental supervision is concerned, the Dominion Department has, without challenge from the Provinces, dealt with matters affecting the corporate capacity of companies licensed by it and has supervised by its Departmental organization, the financial standing and solvency of the companies licensed by it.

The Provincial Departments have, without challenge by Dominion authority, provided for matters affecting the corporate capacity of insurers incorporated and licensed by them and have supervised the financial standing and solvency of Provincial licensees. Furthermore, the Provinces have, without interference by the Dominion until very recently, supervised and regulated the form of contract issued by all insurers and the field work of the insurers.

Under this arrangement, there has been a gradual drifting of Insurance companies to license by Dominion authority. The Dominion has provided for their annual inspection in the manner referred to elsewhere and the Provinces have accepted the financial standing and solvency of Dominion licensed companies as a responsibility of the Dominion Department. Local companies whose operations were confined to local territory naturally maintained their Provincial charters.

One peculiar feature of the Provincial laws which has probably contributed more than any other circumstance to this result, is the fact that the Provincial Acts require the deposit with the individual Departments of substantial sums as security for policy-holders in the Province and the Dominion companies have been exempted from this provision.

The result is, that a provincially incorporated company which desired to do business in all provinces would require to put up individual amounts in each province, amounting in the aggregate to several times the amount which it would require to deposit under a Dominion license. For example, an Ontario Fire Insurance Company desiring to do business also in the five Western Provinces, would require to deposit \$120,000 in securities with the Provincial Governments while the Dominion company might do business throughout nine provinces by deposit of \$50,000 at Ottawa. It seems likely that this anomaly will be corrected at an early date.

Notwithstanding the fact that insurers licensed by the Dominion of Canada are entitled as of right to carry on business in the Provinces they are required by every Province in which they carry on business to be registered or secure a license for which they are charged annual fees varying from \$150.00 to \$300.00. They pay a tax to the Provinces levied upon the premium income of company from business in the Province. They are also required to file with the Provincial Department certain statements of their affairs and business which vary considerably in their extent. In Ontario practically nothing is required from Dominion licensees in the way of financial statement. Other Provinces require details to be given of the business of the company within the individual Province. An effort is now being made by the Superintendents of Insurance to secure uniform forms of return by Dominion licensees. These forms will probably give useful details of income and expenditure of the companies in the individual provinces, particulars as to losses paid, claims disputed and so forth. The draft form of this return is to be considered by the Conference of Superintendents of Insurance which meets next week at the City of Quebec.

I must not take up too much of your time in a discussion of this single phase of Insurance supervision in Canada, namely, Federal and Provincial problems of jurisdiction but I have been tempted to give you an insight into conditions in Canada in this connection because I am not unaware that there are still in the United States many persons whose opinions are worthy of respect, who believe that Federal Insurance supervision would have been a good thing for the United States if it had been inaugurated in the early days of your constitution and who still entertain the hope that the time may yet come when a single Federal enactment and a Federal Department of Insurance will govern and regulate that business throughout the whole of the United States. To us in Canada, 1914 does not seem so far away as it may to you, since for the long term of the war, our

activities and even our interests in subjects which were not directly connected with that great struggle were largely suspended and so I venture to refer to an address on the subject of Federal supervision of Life Insurance, delivered at Dallas, Texas, on October 9, 1914, before the legal section of the American Life Convention, by the Honorable Dan. W. Sims, at that time General Counsel of the Lafayette Life Insurance Company, of Lafayette, Indiana. I have recently re-read that address and desire to say that in my opinion, it states with astonishing accuracy in its attempt to forecast the result of the introduction of Federal supervision of insurance in the United States what actually occurred in the history of insurance supervision in Canada.

Inspection of the financial affairs of insurance companies in Canada has been very strict and minute both by Dominion and Provincial Departments. The insurers return annually to the respective departments to which they are responsible, detailed statements of their affairs in form very similar to those statements which are rendered to your Departments by companies operating in your states. These statements are, at the present time, made upon a cash basis as distinct from a revenue basis. In this respect as you know, the British practice differs from that of the United States Departments and Canada has in this instance followed the precedent set by your Departments. There has, recently, however, been some discussion of the advisability of transferring the statements to a revenue basis rather than a cash basis and there is a suggestion that the Canadian Departments may, in the near future, convert their requirements to accord with the British practice.

Every domestic company operating in Canada is visited annually by inspectors of the Department to which it is responsible and the annual statements submitted by the company are verified in detail by the inspector annually.

You are familiar with the annual reports issued by the Canadian Departments which give in a form very similar to that of the reports published by the United States Departments, details of the affairs of the companies. The chief difference is that the figures of the companies exhibited in these reports have been verified and checked before publication by the Department.

As previously explained, all foreign companies are at the present time required to apply for entrance to Canada through Dominion authority and it is a statutory requirement that all foreign companies licensed by the Minister should keep assets in Canada either on deposit with the Department or in the hands of trustees for the protection of Canadian policy-holders, sufficient to provide in the case of life insurance companies the full legal reserve on Canadian policies and in the case of other classes of insurance the full reinsurance reserve for Canadian policies. This greatly simplifies the Department's duties of supervision of the solvency of foreign insurers since in the main it merely requires to verify and approve the assets held in Canada.

I should mention the fact that there is already a considerable degree of uniformity in the Insurance statutes of the Provinces arising from the fact that the Ontario Act has formed the basis for the drafting of the Insurance Acts of most of the Provinces and many of its provisions have been copied by other provinces in the exact form in which they appear in the Ontario Act.

Efforts to secure greater uniformity throughout Canada are being very energetically pressed both by the Association of Provincial Superintendents of Insurance and also by an organization which is of great importance and influence in Canadian affairs known as the Conference of Commissioners on Uniformity of Legislation. This last mentioned body is composed of three prominent members of the Bar of each Province, appointed by the Provincial Governments. Its duties include the actual drafting of statutes for enactment in identical form by the Legislatures of the Provinces. In so far as Insurance is concerned, their work is largely in prospect. They have for three years been engaged in drafting a Model Fire Insurance Policy Act to contain standard statutory fire insurance policy conditions. The work on this Act was completed at their meeting held at the beginning of the present month. Their final recommendations are to be reviewed by the Association of Superintendents which meets next week in Quebec

City and I have no doubt that the result will enable the submission of this statute to the Legislatures of the Provinces at their next sessions in substitution for the existing Provincial enactments on this subject.

Another work of similar purpose which was initiated by the Ontario Department was the draft of a Model Act respecting Contracts of Life Insurance which in addition to prescribing uniform conditions in regard to Life Insurance contracts, endeavors to secure the codification of the existing law respecting Life Insurance contracts throughout the Provinces. This work was also reviewed at the recent meeting of the Commissioners on Uniformity of Legislation, and will be considered by the Association of Superintendents at its meeting next week, when I am confident that substantial progress will be made. It will, of course, be necessary to give another year of effort to perfecting its form before submission to the Legislatures.

The subject of Insurance Costs in Canada or regulation of Insurance Premium Rates has not yet been the subject of legislation in any part of Canada. There have been Royal Commissions appointed from time to time which investigated this subject and made recommendations. In particular, a recent commission in Ontario reported certain definite recommendations for consideration by the Legislature with regard to Fire Insurance Rating Bureaus in which I think you may be interested. The report of that commission is to be considered by the Legislature at its next session and it is too soon to predict whether or not the report of this commission will be accepted. At any rate it advised against Governmental interference with rate making except to the following extent: that it is proposed that every Rate-Making Bureau should file its constitution, with the Superintendent of Insurance and be subject to inspection by him in the same manner as Insurance companies now are; that such Rating Bureau shall not be required by law to file its schedule of rates or any specific rate as a preliminary to the placing of insurance but that the Superintendent of Insurance be empowered on written complaint by the insurer, or on his motion, to require the Bureau to file details showing how a particular rate is made up, and any other information which he deems necessary or desirable. It proposes the prohibition of any rate which discriminates unfairly between risks of essentially the same hazard. For the purpose of exercising this authority, the Superintendent is proposed to be given the power on written complaint or on his own motion to review any rate fixed by the Bureau for Insurance on property within the Province, for the purpose of determining whether the same is discriminatory with power to the Superintendent to order the cancellation of the rate for that cause. It is further proposed to empower the Superintendent to enquire into any other question which either the insured, the insuring company or the rating bureau may bring before him both as to whether a rate is unjust apart from discrimination and also in regard to any other question arising from the relationship of the parties in reference to the Insurance in question. But in the exercise of this power, the Superintendent is not to make any order but rather to act like a Board of Conciliation affording an opportunity to both parties to explain and exploit their points of view. The facts and findings of the Superintendent are to be reported and stated by him in his Annual Report leaving to the Legislature the remedy of any failure which the evidence so accumulated may indicate to be necessary.

I wish to give you as briefly as possible a few of the outstanding facts with regard to the insurance business generally in Canada as it touches the question of supervision. As to Life Insurance, one naturally puts first the remarkable record that no Canadian Life Insurance Company has failed or been wound up under circumstances involving loss to policy-holders. I think this is a remarkable record for more than fifty years of insurance experience and it does, I believe, reflect great credit upon the insurance supervision of the Canadian Departments, particularly the Dominion Department. Canadian Life Insurance Companies are, we believe, a credit to Canada generally and they are receiving a constantly greater measure of public confidence and support both within Canada and beyond its limits.

It is an item worthy of note that their business has been confined almost entirely to ordinary Life Insurance. Only one Canadian old line company

is engaged in the business of Industrial Life Insurance, that is the London Life Insurance Company. With this exception, the field of Industrial Life Insurance has been left entirely open to the great American companies chiefly the Prudential and the Metropolitan. The business of these companies in Canada has reached comparatively large proportions.

Fraternal Life Insurance in Canada has had a most interesting history. Beginning in its early days with an entire freedom from regulation, on the old assessment system, it has had its time of disillusionment when the inexorable laws of mortality have made their operation evident. Following the voluntary readjustment of many of the societies there has come the legislative requirement of adequate rates and recently a provision for compulsory readjustment of these societies to a proper basis of actuarial solvency. Last year there was enacted in Ontario a law which we believe will have an extremely important influence in finally correcting the basis and methods of Fraternal Life Insurance and accomplishing it upon a basis which provides reasonable elasticity for the special circumstances which surround the business of Fraternal Insurance. In a few words, its provisions may be summarized as follows: The Society is required by law to employ a duly qualified actuary of its own choosing. That actuary is required to file with the Department of Insurance an annual valuation of the assets and liabilities of the Society. Where circumstances admit, he is also required to file a declaration that, in his opinion, the rates of the Society and its assets in hand adequately provide for the payment at maturity of its contracts of insurance. If the Society's actuary is unable to file such a declaration, provision is made for a request by the Minister for a readjustment of the rates of contribution or a reduction in the amount of benefits to provide with reasonable certainty for the payment of its contracts of insurance. If the Society fails to comply with the request of the Department for such a readjustment by its own motion there is provision in the statute for the appointment of a Re-adjustment Committee of three persons properly qualified who are given authority to investigate the Society and submit recommendations for such a readjustment as the Committee thinks necessary, which readjustment is by Statute automatically imposed upon the Society and made a part of its Constitution and rules. Thus there is combined with reasonable freedom and free will, that supporting authority for the executive and management of the Society which will enable it to secure the attainment of an actuarial basis within a reasonable period of time.

In the year 1919 the Dominion Insurance Act was amended so as to require Fraternal Societies licensed by the Dominion to bring their entire business to an actuarially solvent basis before 1925.

The business of Fire Insurance in Canada is conducted, as you know, in the same manner as in United States. The companies are operated on the same agency system as are your companies here, and there has been the same difficulty to contend with in the matter of the control by the agents of the policy of the companies and of the cost of doing business to which your companies are subject. The Departments of Insurance are not satisfied and probably will never be satisfied with the expense ratio of the Fire Insurance Companies which they regard as unnecessarily high, but these conditions are recognized to be the result of economic forces and it is to the influence of counter forces of similar application that we look for their remedy.

Also Canadian Fire companies experience an abnormally high loss ratio. This is doubtless due in part to the fact that we are a new country in which construction of buildings and equipment of fire protection have the same faults as any other new country. These conditions are, however, being slowly corrected.

The fixing and control of fire insurance rates is probably better co-ordinated in Canada than in the United States. The managers of the companies carrying on business throughout Canada form a very considerable and influential group in all the local Underwriters' Boards and their influence has made for uniformity and consistency in schedule and rates. The Underwriters' Associations are, of course, the objects of public suspicion and criticism but they have, nevertheless, done much to introduce methods of scientific rating and to secure fair and general application of rating principles and schedules.

Mutual insurance has not fulfilled its complete possibilities for regulation of insurance costs or prevention of fire losses in Canada. One of the chief reasons for this seems to me to be that the Dominion Insurance Act is adapted chiefly to the Joint Stock Company plan of Insurance and very little attention has been given to the constitution and operations of mutual insurance. There has been a definite policy followed by the Dominion Department of endeavoring to run all classes of insurance and insurer through the stock company mould and I think the present situation in the insurance business in Canada evidences the fact that this cannot be achieved. Witness the fact that all of the large mutual insurance corporations of the United States other than Life Insurance are not licensed in Canada and in my view cannot be licensed under the present form of the Dominion Insurance Act without violating both the law and the spirit of their constitutions. The well known New England Factory Mutuals which carry insurance on Canadian manufacturing plants of an amount of approximately \$400,000,000 are not licensed in Canada at all, and their business is conducted to Canada outside the provisions and regulations of the Insurance Act of the Dominion and under the handicap in regard to solicitation of business which the Dominion imposes. This is the fact notwithstanding a continuous struggle ever since Confederation to preserve the separate character of mutual insurance under the Dominion law. Except in regard to Mutual Life Insurance, in which the legal reserve on individual policies creates special conditions, the Dominion Act has overthrown or ignored the principles of Mutual Insurance.

I do not think that there is anything in the business of the Casualty Insurance Companies in Canada which calls for special mention at this time except the class of Employers' Liability Insurance. In nearly every Province in the Dominion there have been established systems of Workmen's Compensation under the administration of Boards appointed by the Governments. These systems are compulsory but self-sustaining and have resulted in entirely excluding Casualty Insurance Companies from this large field of Insurance business.

The thing chiefly notable about automobile insurance in Canada is that there are no limitations upon the classes of cover which a company licensed to do automobile insurance may issue. The same comprehensive policy may be issued covering fire insurance, transportation, collision and theft of a motor car and the same policy may insure the owner against public liability, employers' liability and personal accident. My information is that most United States companies are incapable of writing both fire and casualty insurance on an automobile. This has seemed to me a most unfortunate and unreasonable disability and one which has retarded the proper development of the business of automobile insurance in America. We, in Canada, are looking forward to the time when forms of automobile insurance cover automobile insurance premium rates, and automobile policy conditions can be simplified and standardized. In endeavoring to attain these results due regard has been had to the desirability of avoiding any handicap on United States companies carrying on business in Canada, but even this important consideration must not be allowed to prevent the development of the business of domestic companies along safe, scientific and conservative lines.

Standard automobile policy conditions are being considered by the Conference of Superintendents of Insurance this year. A considerable amount of very careful work has already been done in the drafting and revising of these conditions. In general the proposed conditions follow the plan of the New York Standard Conditions except that they are being adapted to a comprehensive policy form."

Mr. Gray concluded with some brief references to the usefulness of co-operation between United States and Canadian Insurance Departments.

"UNIFORMITY AS TO TAXATION AND FEES."

By A. C. Savage, Commissioner of Insurance of Iowa.

During the recent world conflict, all loyal American citizens patriotically performed any duty that they were called upon to undertake, and even now,

obeying orders, given by those in authority, is a matter of second nature. I am before you now in response to the command of our Executive Committee, and compelled to inflict upon you views and opinions on the topic assigned to me: "Uniform Taxation and Fees."

Ever since supervision of the insurance business was undertaken by state authority, the conflict between the laws of the various states in regard to insurance company administration has become more apparent, until it is recognized that there should be more uniformity in legislation affecting the insurance business, or that Congress will inevitably enact laws for the control of this business which is of necessity more or less interstate in its operation.

I will not undertake to discuss the questions of control by the national government, or the continuation of the present system of state control, further than to say that if the state is to continue to exercise control, it seems to be apparent that a more strenuous effort must be made, by the states to bring about greater uniformity in state laws, or Congress will find a way to assume supervision of all insurance business.

It is deplorable that competent persons, those who have made a study of the insurance business and are familiar with the practical operation of a law, are not permitted, many times, to prepare the bills that are presented to the various states legislative bodies. Many times laws are proposed and adopted, not through any desire, perhaps, to place unnecessary and harmful burdens upon the insured or the insurer, but through ignorance of the business of insurance in its many phases and through a lack of opportunity to become familiar with the bill or amendment to be considered.

Perfectly sound and practical bills are presented to our law-making assemblies, only to be amended on the floor of the legislative body before the effect of the amendment can be analyzed. Numerous reasons might be given why such legislation is adopted. It is true that there is a tendency in the ordinary legislature to adopt laws tending to embarrass the companies, not realizing that many times these same laws place greater burdens upon the insured or interfere with his protection.

Different legislative minds, in different states, with different ideas as to what is desirable in our laws, have resulted in great lack of uniformity in the regulation and supervision of the insurance business—a business which by its very nature becomes one of interstate interest to a growing institution, and should be governed, as nearly as possible, by uniform laws and uniform departmental rulings.

Uniformity affords this organization of Insurance Commissioners an extremely fertile field for labor and an opportunity for service that will be of untold value both to companies and to the insuring public. Much has been done by this body in the past in an effort to have uniform laws enacted, but in my opinion the surface of possibilities along this line has only been scratched.

It is probably too utopian to expect the states to enact all the really essential uniform laws that are necessary, but is it not possible through properly co-ordinated effort of all concerned, to adopt uniform standard fire, tornado, burglary and compensation policies, uniform standard provisions for life, accident and health and automobile policies?—uniform laws as to classes of companies and coverage to be written by the various classes, provisions as to time of filing proof of loss, commencing legal action and minimum limit of time for commencing such action? Then there should be uniform laws as to taxation of companies and the fees to be paid. These are but a few of the matters that will suggest themselves to you as being proper subjects for uniform action.

The subject assigned to me has to do with that ever troublesome annoying and unpopular question of "money and how to get it," and one that causes verbal arrows and bricks to fly. In this production I will not attempt to discuss the fairness of, or justification for the taxing of premium income, but will endeavor to confine myself strictly to a subject that seems to recognize the right of the state to collect taxes and fees from insurance companies. Taxes and fees as imposed upon companies other than home companies are the only topics considered

here as it seems that the states should govern domestic companies as to local taxes and fees. No attempt is made to discuss the taxes imposed by the Government.

A study of the taxation laws of the various states gives evidence of wide difference in methods used. Using the latest laws of the states filed with the Iowa Department, an attempt has been made to classify these states as to the system used in taxation and also as to fees charged.

It is interesting and enlightening to consider the basis of taxation and the deductions allowed by various states in arriving at the amount of premiums to be taxed. The convention blanks for use by the companies in preparing the annual statements, consider premiums solely as "premiums written," and these premiums seem to be used as a basis for reaching the amounts to be used in determining how much shall be taxed, while the laws, almost without exception, provide that taxes shall be assessed upon the "gross amount of premiums received" less certain deductions as provided by various statutes. It is common knowledge that there is considerable difference between "Gross Premiums Written" and "Gross Premiums Received," but when the annual statements are prepared and the schedule of "business done in the state" is furnished, there is apt to be much confusion.

In analyzing the methods used by the various states in this production, "Gross Premiums Received" will be used as a basis, and an attempt will be made to classify the methods used by the states as to deductions allowed different classes of companies:

Number of states allowing deductions only for return premiums and reinsurance paid (by companies other than life):

Stock fire companies.....	22 states
Mutual fire companies.....	19 states
Stock casualty companies.....	19 states
Mutual casualty companies.....	18 states
Assessment Accident companies.....	14 states
Reciprocal Exchanges.....	11 states

Number of states allowing deductions for return premiums and reinsurance received (by companies other than life):

Stock fire companies.....	9 states
Mutual fire companies.....	7 states
Stock casualty companies.....	7 states
Mutual casualty companies.....	6 states
Assessment accident companies.....	4 states
Reciprocal Exchanges.....	4 states

Number of states allowing deduction for return premiums only (by companies other than life):

Stock fire companies.....	2 states
Mutual fire companies.....	3 states
Stock casualty companies.....	3 states
Mutual casualty companies.....	3 states
Assessment accident companies.....	4 states
Reciprocal Exchanges.....	6 states

In ten states deductions are allowed mutual fire and casualty companies for dividends returned to policy-holders. In six states deductions are allowed casualty companies for payroll refunds. In six states reciprocals are not taxed, and a few states do not tax assessment accident associations. It is more difficult to classify life companies, but generally the above classes exist with a number of varying deductions.

After we have met all the different methods of taxation, and collection of fees, one is confronted with the reciprocal and retaliatory laws effective in most states until it would take the proverbial lawyer from the home state of our Vice-President Donaldson to unravel all of the questions that arise and to determine what the tax or fees should be.

But few states have a reciprocal law permitting exemptions if another state

allows exemption, but a large number of states have retaliatory laws inflicting upon the companies of foreign states all the penalties, obligations and prohibitions that may be imposed upon the domestic company by the foreign state. I presume that the purpose of retaliatory laws is to make the burden of companies operating in any one state the same as those burdens that are placed upon the same companies doing business in other states. The result is that because of the difference in state laws and the application of tax provisions, together with the attempt to enforce retaliatory provisions, it is extremely difficult for companies or even insurance departments to determine just what the tax or fees should be.

Coupled with the different methods of taxation, are the different rates charged. Most states tax at the rate of 2 per cent; others $\frac{1}{4}$ per cent, 1 per cent, $1\frac{1}{4}$ per cent, $2\frac{1}{4}$ per cent, 2% per cent, 3 per cent, and varying in many states as to class of company.

It is interesting to note the system used in the state of Louisiana. Life and accident companies of that state are graded by classes—a first class company being one whose premium receipts are \$1,500,000 or more, which is assessed a license tax of \$10,800. The second class is composed of companies whose premiums are more than \$1,490,000 and less than \$1,500,000, and are assessed \$10,740. Altogether there are 149 classes with a minimum tax of \$140.00. All other companies are in thirty classes. In class one, if premiums are in excess of \$800,000, the tax is \$5,400. The thirtieth class are companies with premium receipts of \$15,000 or less and are taxed \$180.00. Deductions are allowed for return premiums and reinsurance ceded. In addition to the foregoing, a Fire Marshal Tax is assessed against fire companies of $\frac{1}{2}$ of 1 per cent on all premiums less return premiums.

Massachusetts collects a tax from life companies of $\frac{1}{4}$ of 1 per cent of net value of all policies in force on lives of residents of that state.

Nevada does not collect a tax from any company.

In Nebraska, gross premiums of fire companies are taxed at their amount, as other property in cities, town and school districts, with a tax to the state on life and accident companies of 2 per cent.

Connecticut tax laws are purely reciprocal.

Many states provide for a Fire Marshal Tax, and in some a tax is placed by cities and towns upon the premium receipts in those places.

The foregoing will give you some idea of the wide difference in taxation methods.

Lack of uniformity in the fees charged is as apparent as that of taxation, and the different items upon which fees are charged are numerous and vary greatly in the states. It is common that fees are charged for filing charters or Articles of Incorporation, filing annual statements, for annual certificates of authority to transact business, for filing Power of Attorney, and for agents' licenses. In addition, it is found that fees are charged for publishing abstracts of annual statements, filing amendments to Articles of Incorporation, filing bonds, service of process, filing certified copy of insurance laws, certificate of compliance, certificate of valuation, filing title, brokers' license, filing preliminary papers, filing acceptance of constitution of state, and for handling and caring for securities required to be deposited with the state, and examining annual statements.

For filing charter or articles of incorporation, the fees vary from nothing to \$300.00. For filing annual statement, from nothing to \$50.00. For certificate of authority from nothing to \$300.00. For filing Power of Attorney, from nothing to \$10.00. For Agents licenses, from nothing to \$25.00. The fees for other items are likewise varying in amounts, and all vary with the class of company.

Added to the difficulties in ascertaining fees to be charged in any particular state, we again meet retaliatory laws.

From all the foregoing, it would appear evident that there is need for uniform legislation governing the fixing of taxes and fees. In my judgment, such legislation should be undertaken, particularly by the states in which any large number of companies are domiciled.

Taxes assessed and fees charged by the home state upon the business of the domestic companies are not of much concern to the Convention, and no suggestions are made in connection with such companies.

May I suggest that the whole matter of uniform taxes and fees be placed in the hands of the legislative committee of this Convention with the hope that some bills will be prepared for general action, especially in those states where a considerable number of companies are domiciled.

In considering the question, "Premiums Received" should be clearly defined and deductions fixed in the various classes so that there can be no misunderstandings. There should be no difficulty in fixing the items for which fees are charged.

I am not unmindful of the disposition of the states to handle these questions in their own way, but in recognizing the great good that has come to the public and institutions concerned, through the uniform laws now in force governing other interests, it would seem that it would be possible that a greater number of uniform laws could be enacted governing the business of insurance.

COVERAGE UNDER HEALTH AND ACCIDENT POLICIES.

By Gustaf Lindquist, Commissioner of Insurance of Minnesota.

Mr. President and Gentlemen of the Convention:

In the year 1909 the Honorable John A. Hartigan, then Commissioner of Insurance of the State of Minnesota, prepared and caused the introduction of a bill requiring standard provisions in health and accident insurance contracts. This measure, upon its passage, became Chapter 167, General Laws 1909. Thus, the State of Minnesota was first to adopt standard provisions as to this form of insurance.

In 1911, at the Forty-second session of this honorable body, there was presented a report of a special committee on Industrial Health and Accident settlements, which included an investigation of fourteen companies doing business in various states. Among the members of this committee were our esteemed associates, the honorable Commissioner from Virginia, Colonel Joseph Button, and that venerable and beloved member of this Convention, Frank H. Hardison, of Massachusetts.

As a result of this investigation, the committee made certain pertinent recommendations relating to the supervision of companies writing this class of business, and further suggested certain remedial legislation.

The report of this committee was unanimously adopted by the National Convention—thirty-five states being represented.

I desire to quote the introduction to the recommendations of the committee. It reads:

"The investigation thus far has been conducted with such celerity, and the reports of the examiners and the hearings thereon are of such recent date that the Committee is loath at this time to make final recommendations. The evils existing are, it is thought, clearly indicated in what precedes. Deplorable conditions have been found in the claim departments of companies which do easily 75 per cent of the business done by all of the companies yet examined. While in the total of adjustments, those criticised or selected for comment are probably less than 2,000 cases, it will be noted that approximately 90 per cent of the claims examined were for minor amounts, due to disability from sickness or accident, where the adjustment is usually fair. Of the specific claims examined, where the amount involved is usually considerable, the percentage of scaled or rejected claims is high—indeed, very much too high to be explained by error of judgment or carelessness. Indeed, the

Committee feels warranted in concluding that when dealing with companies doing an industrial health or accident business, the policy-holder public of the country—particularly those who, through ignorance or poverty, are unable to protect themselves, and, therefore, are peculiarly the wards of government as represented in this convention—has too frequently been the victim of unconscionable practices in the claim departments of the companies criticised in this report. Promises of reformation made at the hearings are, therefore, not enough. This convention should take action which will guarantee the just treatment of policy-holders in the future.

"More, it should be clear to every one familiar with present social and political conditions, that, unless the policy-holders among the laboring masses are to be treated fairly by these companies—indeed, if the policy settlements of industrial health and accident companies cannot be made fair and clean—the public will demand, not the mere regulation of the companies now under investigation, but the prohibition of this kind of insurance by private corporations; in other words, the furnishing of it by the government itself. As it is, the signs of the times point in that direction. Meanwhile, however, it is clearly the duty of the governments represented in this convention that there be an immediate cleaning up—perhaps even a cleaning out—and that hereafter the companies involved be kept clean."

The particular paragraph to which I desire to draw your attention is that which reads:

"If the policy settlements of industrial health and accident companies cannot be made fair and clean—the public will demand, not the mere regulation of the companies now under investigation, but the prohibition of this kind of insurance by private corporations; in other words, the furnishing of it by the government itself."

It is not necessary for me to outline what ten years have brought about in this country along the line of state and government insurance. You are quite as familiar with this subject as I am and are equally aware that the "demand" is by no means at an end in this respect. Indeed, it has but fairly begun. Bills calling for state insurance were introduced in twenty state legislatures in 1921.

It is greatly to the credit of this body that it had the foresight to observe the tendency in 1911 and pointed out one of the main, if not the chief, cause of this agitation.

In considering this subject of health and accident coverage, it is apparent that we are dealing with a matter which concerns not alone the individual policy-holder and his dependents, but the state and community as well.

The chief asset of the state is the wealth-producing power of its citizens. That power has but one measure—the time of the individual. It follows that any agency which contracts to recompense the citizen of a state for the loss of his time through sickness or accident, and fails in the complete fulfillment of its contractual agreement, defrauds not alone the individual, but every citizen of the state or community in which he resides.

No restricted conception of the obligation of any company, engaged in the business of writing health and accident insurance, will serve, for service is its only warrant for being permitted to conduct its business.

It has been possible in the past for many organizations engaged in this form of insurance business to so conduct their affairs that they could meet the superficial requirements of the laws and fail in the basic obligation. It is my firm conviction that so long as this condition persists, and in proportion to the degree in which it prevails, shall we continue to have violent agitation for government insurance.

The insurance journals are filled with lengthy articles condemning state and government insurance in all its forms. The officers of the leading companies, with feverish oratory, condemn its advocates as radicals, socialists and bolsheviks.

Nor is this opposition limited to propaganda by word or mouth. In the halls of Congress and every state legislature there is an active insurance lobby.

The Federation News for the month of August states that in the legislative assemblies of 1921 in forty-one states there were fourteen hundred and twenty-nine bills introduced relating to the subject of insurance. Eliminating the departmental and miscellaneous measures, there remained eight hundred and ninety-two bills. **FOUR HUNDRED AND FOURTEEN** related to the subject of casualty insurance.

There is an obvious deduction to be drawn from this fact. The people of this country and their representatives are not satisfied with the present status of the health and accident insurance business.

Let us consider briefly the character of the policy-holders of this class of insurance and the treatment they receive, as compared with that accorded the beneficiaries of other forms of insurance.

The individual who is most concerned with the continuance of his income, in case of illness or accident, is the small wage earner. It is this portion of our population who have the fewest resources and who soonest feel actual want when anything occurs to interfere with the source of income—the day's wages. It is obvious that this class—the small wage earner—offers the solicitor of casualty insurance the widest field for his activities, and, by virtue of numbers, makes up in volume of business what it may lack in the size of the individual premium.

When illness or accident overtakes the wage earner, existence becomes a hand-to-mouth affair, frequently complicated by the demands of a wife and children for support.

It is, I think, an incontrovertible fact that the vast majority of the health and accident contracts are held by wage earners. In the state which I have the honor to serve we have a considerable population of foreign-born wage earners. There are thousands of these people who speak little or no English, yet they are and have been a profitable field for the health and accident insurance agents and their companies. In the vast majority of cases they are led to believe that when they purchase health and accident insurance, they and their dependents are protected against all contingencies resulting from sickness, accidental injury and loss of life.

This brings us directly to the consideration of that feature of this class of insurance which is most in need of remedy.

To experienced insurance men like yourselves, the lack of coverage offered by thousands of the policies which are permitted to be sold under our state laws must be appalling.

I do not propose to burden you with many illustrations, as I appreciate that all of you have had unfortunate experiences with these trick policies, but I wish to illustrate with a few examples of actual coverage under health and accident policies offered the public:

One company writes an accident and sickness policy, promising, on the first page, full sickness and accident coverage, hospital benefits and double indemnity for a period of twenty-four months for accident, and twelve months for sickness, and, on the second page thereof, inserts a clause which provides that death or disability from sunstroke, freezing, or some twenty-five named diseases, or any chronic diseases, or any disability that is caused by one or more diseases, or diseases in connection with any injury, will be considered as resulting from sickness, the original cause thereof notwithstanding, for all of which the company will pay benefits as provided in Parts I and V of Paragraphs A and B thereof, and subject to the same conditions as specified therein, not to exceed one month.

Of course, you appreciate that it is rarely one is confined with a serious illness that some, at least, slight complication does not set in. This clause as written, while it looks like the ordinary clause exempting the usual diseases, places in an unscrupulous adjuster's hands a mighty club.

Another general illustration is the so-called "limited" policy, which, in bold type, acclaims itself an accident and sickness policy, paying indemnity for loss of life by accidental means, as provided by Part VII, and for loss of life, limb, limbs or sight by accidental means, as provided in Part I, and for loss of time

by accidental means, and sickness and indemnity for certain fractures, schedule of operations and identifying service to the extent herein provided, a maximum death benefit of \$4,500.00; maximum weekly accident indemnity, \$30.00; weekly sickness indemnity, \$15.00.

This policy, after setting up the usual insuring clause and a long list of accident benefits, recites: "but only where such injuries are sustained while actually riding as a passenger, in a place regularly provided for the transportation of passengers only within a railroad car, elevated, subway or interurban railroad car, street car or steamboat, provided by a common carrier for passenger service, and only when such loss shall be caused by the wrecking of any such car or steamboat"; while its sickness benefits, which are promised under glaring, bold-faced type letters on the first page, are restricted, on the second page, to a certain enumerated list of diseases, among which are found chicken pox, glander, mumps, chorea, barbers' itch, tetanus, tape worm, ivy poisoning, hives, eczema, trachoma, noma, scabies, felch, vomitoria, not including their complications and consequence, provided the insured shall be continuously confined within the house, not leaving it at any time or for any purpose whatsoever, and regularly visited therein by a licensed physician, and be wholly prevented from transacting any and every kind of business solely by one of the above-mentioned list of diseases.

Among the general provisions pertaining to this policy are found the following:

"This insurance does not cover an employee of a common carrier; any loss contributed to or caused by any mental or bodily infirmity or venereal disease, vertigo or exposure to unnecessary danger while violating the law; while walking over or on the road-bed or bridge of any railway, except while crossing in a public street or highway; while engaged in playing football or handling explosives or firearms; sickness contracted prior to the date of this policy, or from any disease or sickness not named in the policy, or complicated with a disease not specifically covered by this policy, except as provided by Part XII, which provides that:

"If the insured shall, in consequence of any sickness not otherwise covered by the policy, be continuously confined within the house, not leaving it at any time or for any purpose whatsoever, and shall be wholly prevented from attending to any and every kind of work or business for a period of not less than sixty consecutive days from date of the commencement of the sickness, but the company shall not be liable for such loss if caused by any chronic disease or by any disease not common to both sexes, the company will pay the sum of Fifteen Dollars (\$15.00)."

Another company's policy recites:

"Insurance is granted against loss of time caused by physical disability of the assured resulting solely from disease; except disease that shall originate and begin before this policy has been in force thirty days, venereal disease, and diseases of organs not common to both sexes; and for which there is provided indemnity to the extent of..... Dollars, which indemnity is limited to the loss established by the assured every month at a rate of not to exceed.....Dollars for any month, and for not to exceed..... months."

Under the construction placed upon this clause the adjuster for this company writes an assured, suffering from hemorrhoids, as follows:

"Dear Sir: Your final proof blank has been received and examined.

The laws of this state permit insurance companies to provide insurance only as follows:

1. Indemnity for loss of life by accident.
2. Indemnity for loss of time by accident.
3. Indemnity for loss of time by disease.

You are claiming an indemnity for disability resulting from hemorrhoids. That is not an accident, nor is it a disease, but it is a physical

impairment and consequently, under the law, cannot come within the terms of your policy. We, therefore, are unable to allow you any indemnity on this claim."

The law really provided authority to insure against loss or damage by the sickness, bodily injury or death by accident of the assured.

The assured in this instance alleged that he was totally disabled for seventy-one days, but we are advised by an officer of the company that this claim was rejected on the ground that loss of time resulting from hemorrhoids

"is not a contingency covered by our policy of insurance that insures against loss of time only when it shall result from an accident or a disease."

If hemorrhoids, or any similar or dissimilar condition or impairment of the body, does not fall within the classification of an accident or a disease, I am frankly at a loss for a place to list it. An officer of this company very happily places them all in what he calls "No man's Land" in health and accident insurance. This is an area which will, no doubt, be broadened rapidly if conditions such as these are longer tolerated.

Perhaps the most alluring policy, containing the least amount of insurance, is the recent policy of a company which provides, in heavy type:

"This policy provides life-time indemnity for Total and Permanent Disability caused by any disease, except venereal, or any accident or bodily injury, to the extent herein provided. Non-cancellable. Total and Permanent Disability Coverage."

While to the average person this policy would pass muster as a first-class, non-cancellable health and accident policy, it, in fact, insures only against permanent disability, which is a feature covered by most life companies for an annual premium of about \$1.75 per thousand.

The companies are now writing policies ranging in term from one month to five years, and the average premium on a five-year policy is, perhaps, between \$250.00 and \$300.00, the companies paying the agents approximately 40 per cent commission, some more and some less, for writing this business.

You gentlemen are acquainted with the general run of industrial health and accident agents and you can imagine the representation or misrepresentation that some of them would be tempted to make in order to procure commissions of, say, \$120.00.

After the agent sells the policy, while the company can cancel the next day, the insured is bound to retain his policy for the full period for which the premiums were paid, even though it be for five years. There is no one thing that will do more to abolish "high pressure" methods or misrepresentations in the placing or writing of this business than to permit the insured to cancel his policy at will.

The practice of writing artful policies is well illustrated by the quarantine indemnity clause contained in a policy under the heading: "Quarantine Unlimited Period," which states:

"If the insured is quarantined during the term of this policy, by order of the Civil Authorities, because of any infectious or contagious disease contracted by the insured, and by reason of such quarantine is confined within the house and prevented from performing any and every kind of duty pertaining to his occupation, the company will pay the insured for the period during which the insured is so continuously quarantined, a monthly indemnity of \$30.00."

Kindly note in passing that the monthly indemnity for house confinement under this policy is \$30.00, and that this most generous company, which advised that it was not charging any additional premium for this "unlimited quarantine period,"

would be required, under its contract as written without this quarantine clause, to pay the insured exactly the same amount, as the quarantine provision required the assured himself to have contracted the contagion which caused his quarantine.

It would be possible to multiply almost indefinitely examples of this character, and you are, I am sure, all too familiar with them.

The evil is that these policies readily lend themselves to misrepresentation, and do, in themselves, mislead and lull the insured into a sense of false security. In the particular case of those of foreign birth, partially or wholly unfamiliar with the English language, the prospect is entirely at the mercy of the solicitor for interpretation of the contract.

In thousands of instances policy-holders who have been persuaded to purchase this form of insurance are made to think that it carries with it full protection under a health and accident policy and affords the same protection as a life insurance contract. The sad part of this is that the mistake is seldom discovered until the policy becomes a claim.

In hundreds of cases disclosed by the special committee investigation in 1911, it was conclusively shown that the general attitude of the companies was to purposely evade the accumulation clause when effecting settlement of claims. It would seem desirable, if any clause of this nature is to be permitted on a standard policy, that the wording, the prominence, and the conditions relating thereto, should receive the most careful consideration. While this clause is ostensibly of benefit to the insured, it is primarily for the benefit of the insurer. It, therefore, would appear that the incentive for persistence should be in a reduced or discounted premium and not an increased benefit, the actual payment of which is too frequently deliberately avoided through the ignorance of the insured or the artfulness of the insurer.

There is a variation between what they are led to believe they have secured in the way of protection and what they actually receive when it comes to the settlement of claims, which must all too frequently result in a feeling of bitterness on the part of the policy-holder or his dependents when they learn that they have been actually defrauded.

We have heard much, since the war, regarding the Americanization of the foreign born, and it is a subject to which all of us, who have the future of this great republic at heart, have given serious thought. In this connection consider the insurance solicitor, who goes into shop and mill carrying an ambiguous contract which he, in addition, misrepresents to an ignorant man who is inspired by the desire to protect himself and his family. When such a contract, entered into in good faith by the policy-holder, becomes a claim and is followed by the scaling of loss or complete avoidance of settlement, through any of a score of cheap subterfuges, unfortunately legalized, what, then, is the effect upon the man who has paid his hard-earned money for protection? This is exploitation in the true sense of the term. What can be the sentiment towards "capital" which he evaded the moral and contractual obligation? What opinion does this poor dupe have of the government which permits, nay, legalizes, this practice? Could the socialistic agitator find a better field for the propagation of his dangerous doctrines?

In this connection, I might refer you to hundreds of cases investigated by the committee to which I referred in my opening remarks. The treatment accorded by these companies was, in many instances, scandalous.

While this investigation was conducted over ten years ago, were a similar investigation to be undertaken at this time I believe the result would show that conditions have not improved.

From the experience of the Minnesota Insurance Department, and from what information I have received through the courtesy of many of you gentlemen who are here present, I am willing to assert that in no other branch of insurance today would the methods of adjustment be tolerated that are commonly practiced in the health and accident business.

I could, if I chose, give you at length from my own experience the history of

cases in which the moral injustice to the insured was so great as to provoke sympathy and also bitter resentment, and yet the Insurance Department was helpless under our laws to effect settlement.

We all realize that but a fraction of the cases in which the policy-holder has suffered real injustice are ever brought to our attention. If we have dealt with hundreds, it is safe to say that there are thousands of which we never hear.

I feel that the time has come for this organization not only to again record its sentiment in respect to these abuses, but to enter actively upon a campaign to remedy such practices.

From the letters which I have received bearing upon this subject, I am convinced that the Commissioners here present believe that a remedy for these conditions must be found so as to protect the reputable insurance business from ultimate destruction.

So large a portion of the public has suffered from abuses of the character which I have outlined that it has had material effect upon the conservative insurance business. When a considerable portion of the public is dissatisfied with the treatment and service which have been rendered, it unfortunately vents its discontent in the condemnation of all the interests which it believes, rightly or wrongly, to be allied.

I believe that much of the adverse legislation which the insurance companies of all classes have been called to oppose during recent years can be more or less directly traced to sharp dealings—the "trick clauses" and claim-scaling policy of the companies writing health and accident business.

Every thinking man knows that there is no factor of our modern life which is more beneficial in its results than honest insurance. The billions of dollars of life insurance and fire insurance carried in this country give a stability to our whole economic system which is difficult to estimate. It is for the sake of this great protective and stabilizing agency, which we are all proud to aid in further developing, that we should endeavor to help rectify an evil which reflects upon the standing of the insurance business as a whole.

There is no question as to the important function which health and accident insurance should exercise if properly and wisely administered. In fact, it is so generally recognized that this class of protection is essential to a great mass of our citizens, that the arguments for state insurance are largely based upon that ground.

I am unalterably opposed to state insurance. I believe that private corporations can more economically, effectively and equitably render this service than can the government. The companies have had experience sufficient to establish the necessary standards of contractual relations between the insurers and the insured.

This experience has long since been sufficient to have in operation at this time a standard health and accident policy. How much longer must the public be compelled to pay for the alleged experience necessary? The truth of the matter is that the development has been away from conservative lines.

One company writes a policy designed to attract a certain class at an exceedingly low premium rate. A competitive company, upon seeing the contract and realizing that it cannot write the same policy at a lower rate, drafts a policy with a few more exemptions, and, for the purpose of competition, offers it to the public at a reduced rate, and so the battle goes merrily on at the expense of the public, until today we have casualty companies peddling these abortive policies for as little as five dollars per year.

It might become necessary for the companies writing health and accident insurance to increase their premiums in order to carry out the benefits offered without exemptions, or reduce the benefits in order to write the policy at a low premium, but every health and accident contract should clearly state what it covers and be free from all ambiguous exemption clauses, giving the assured a clear understanding as to what protection his contract offers.

The premium income of all health and accident companies, during the year 1920, was approximately \$95,261,078.63, of which only \$39,792,476.79 was actually used in payment of losses to the assured. It would seem that the officers, directors and

stockholders of these companies could afford to interest themselves in the standardization of a health and accident contract, eliminating the game of hide and seek which has so long been played with the public.

It would appear that the officers of the health and accident insurance companies, realizing the great dissatisfaction of the public with this class of insurance, should co-operate with this body in adopting and supporting standardized policies, and they would thus have a uniform and possibly a more equitable contract than if driven into submission by legislative action, as compulsory legislation would doubtless result in a multiplicity of forms. Thus, the choice of Voluntary standardization or submission to compulsory and arbitrary legislation lies with the companies.

I have no desire to urge upon this convention, or the health and accident companies, any specific form of contract. A standard policy should be drafted with the co-operation of committees selected by this honorable body and the best brains in the health and accident business, giving the companies that opportunity to which they are rightfully entitled—bringing about reforms from within.

Should the companies fail to take advantage of such an opportunity if it is so offered, I would respectfully urge that this convention proceed to draft a standard health and accident policy law which may be presented, with its endorsement, to the various state legislatures when they next convene.

THE INVESTMENT LAWS RELATING TO INSURANCE COMPANIES.

By Clarence W. Hobbs, Insurance Commissioner of Massachusetts.

A careful reading of the investment laws of the several states applying to insurance companies discloses the fact that several legislative motives have operated in their composition. The main idea is undoubtedly to secure a certain measure of soundness and stability and prevent insurance funds from being wasted in speculative and unsound investments. But superimposed on this is a series of enactments, prohibitory or regulatory in their nature, which have not so much to do with the merits of the investment as to eliminate practices deemed contrary to public policy; and a further series which seek to direct insurance funds into channels favored by the policy of the state, either by making certain securities legal investments, or by using a certain degree of compulsion. Hence, although insurance investment laws have no where approximated the extraordinary detail which characterizes the savings bank investment laws enacted in certain states, they are frequently of considerable volume and exhibit a notable variety among which any trace of uniformity is indeed hard to seek.

There is, of course, no real need of uniformity save in so far as the investment laws apply to companies of other states. There, indeed, a certain similarity of treatment must exist or the transaction of an insurance business in the several states becomes a very difficult problem. A company in mapping out its investment policy has, first of all, to consider its own business. Its primary function is not investment, but insurance, and its investments must be chosen always in view of the fact that they are to be ancillary to the business of insurance done by the company. Not only should they be sound, yielding a reasonable return of interest, but they must be chosen according to the ability of the company to maintain its funds in a permanent form or its necessity of keeping them in such form that they can be readily converted into cash. The company, of course, must take the law of its own state into consideration and this may conceivably have a marked effect upon the manner in which it deals with its main problem. But, if to this be added the necessity of making alterations in its investment policy to meet the requirements of several states, the problem becomes immensely complicated.

Fortunately, the requirements of most states are not hard to meet. A number have no laws whatever applying to the investments of foreign companies. Most of those which have such laws undertake merely to regulate the investment of the statutory deposit or of a sum equal to the minimum capital required of domestic companies transacting the same classes of business. Not infrequently a degree of consideration is shown for the laws of the state of incorporation, securities authorized by the laws of that state for such funds being recognized as legal.

There are, however, certain states which prescribe a somewhat narrow limitation. So long as the fund affected is not large, compliance is not a serious matter, especially in view of the abundance of governmental issues, which are acceptable in practically all states. The real mischief comes in states which have a domestic law which applies indifferently to domestic and foreign companies and affecting a substantial portion of the assets. The law of Maryland, for instance applies to the entire reinsurance reserve for both foreign and domestic companies. The laws of Georgia, Idaho, Kentucky and Nebraska go so far as to cover all the assets. In Idaho and Kentucky indeed the investment laws are notably liberal and in Georgia and Nebraska provisions are inserted allowing investment in securities other than those listed, subject, however, to official sanction. There are, also, certain statutory regulations and prohibitions in certain states which apply indifferently to domestic and foreign companies. But even if compliance with the law of each of these states is not in itself a serious problem, the necessity of conforming investments to suit several such laws increases in geometric ratio the difficulty of formulating a consistent investment policy.

Under this heading must be noted two laws of more serious moment, the laws of Texas and South Carolina affecting the reserves of life companies against policies on the lives of residents of those respective states. South Carolina undertakes to compel the investment of those reserves in local securities by means of a tax which is reduced in proportion as those reserves are invested in such securities. I understand the constitutionality of this law has been questioned, and that it is at present the subject of litigation. The Texas law requires the investment of three-fourths of such reserves in certain local securities as a condition of the transaction of business.

(NOTE: In view of the criticisms raised by the Commissioner of South Carolina and upon further reading of the law, it seems fair to state that the gross tax levied by South Carolina is two per cent of the premiums, which is not at all unreasonable as compared with taxation in other states. In the paper as published the word "compel" has been changed to "induce," and the sentence as to pending litigation on the constitutionality of the law has been eliminated.)

The criticisms given above apply with equal force to these laws and they are highly objectionable for further reasons. If it is proper for these states to enact such laws it is equally proper for other states, and general action of this sort would force upon the companies an investment policy entirely removed from any consideration of financial soundness or adaptability to the company's needs. Undoubtedly, all companies should take into consideration that the removal, even if for a time only, of a large volume of the funds of a given community may seriously deplete the funds for financing local needs, and not only the advisability of scattering investments but a desire to play fair with the states should induce investments in states which contribute largely to premium income, but this can be done safely only according to local conditions. Investment in state or municipal bonds is prudent only in proportion to the degree of self-control exerted by state legislatures and local governing bodies. Mortgage investments are prudent only in proportion to the degree with which the state protects the right of the mortgagee. Investment in the bonds of public service corporations is prudent only in the event that the state policy permits such corporations a fair return on their investment. It is submitted that a state which has given proper consideration to all of these matters will have no need of legislation such as exists in South Carolina and Texas. If their securities are good and sound, investment funds will flow there without the necessity of legal compulsion. The existence of such legislation may be taken to indicate a certain doubt as to the soundness of local securities and their attractiveness to investment capital. In certain states, too, the existence of such legislation might have a harmful effect not only on the companies but on the community itself by creating an artificial superabundance of investment funds, away and beyond local requirements, so that the law could be complied with only by placing investments at a very low rate of return or by accepting investments of inferior quality. The possibility of loss to policy-holders in either event is so great that it is to be hoped that these two states may have no imitators.

In dismissing the subject, one may cite with approval the policy of the Michigan law which requires the assets of a foreign company to be invested in accordance with the laws of its own state and to venture the hope that we will in the course

of time have sufficient confidence in ourselves and in each other to be assured that the companies of all the states are sufficiently well controlled with regard to their investments so that they may be admitted and permitted to do business anywhere without reference to the investment laws of any state other than their own. Also, to express the hope that at some time all laws requiring either a special deposit or a general deposit may be done away with. Such deposits are no real guaranty of safety unless they constitute a very substantial portion of the company's assets nor do they constitute an adequate protection to policy-holders. On the other hand, they are endless nuisances both to the companies which have to make them, to the officers who hold them and to receivers and other liquidating agents who try to get them for the benefit of creditors. Other than with regard to their application to companies of other states insurance investment laws are matters primarily of local concern and admit of considerable perfectly justifiable variation in order to meet local conditions and local concepts of public policy. It does not follow, however, that a degree of uniformity is not possible and the subject hits closely enough at the very vitals of the business of insurance to warrant a careful consideration. Even if nothing else is accomplished, and exchange of ideas upon the subject is not without considerable value.

Investment laws are in their nature an extremely important part of the insurance law and a part that must constantly be referred to both by companies and by the departments. I presume that most of us desire our domestic companies to prosper and to increase in importance so far as this can be secured by proper means. Apart from skill in underwriting nothing can conduce to this end more than a wise and prudent investment policy on the part of the companies, and legislation whereby such a policy shall not be unduly hampered or restricted. It is thoroughly worth while, therefore, to take stock of what we have been doing and make some discussion of the principles that lie back of these endeavors to regulate the investment situation.

For purposes of discussion investment laws may be divided into three parts: (1) Regulations and prohibitions; (2) Laws relating to the holding of real estate and other property; (3) Laws relating to income producing investments. It is my purpose, first of all, to take up the leading features of the present laws under the several headings.

1. Regulations and Prohibitions.

In certain states these constitute an important part of the insurance law. In others they appear only sporadically. The principal provisions coming under this head are as follows:

(a) Investments, etc., to be in the corporate name. Such provisions are found in Arizona, Massachusetts, Minnesota, Oregon, Missouri, Texas and Washington. The Minnesota law covers the investments only; the Massachusetts law investments and deposits, and the Washington law investments, loans and deposits of funds and securities and all purchases and sales. The Texas law applies only to deposits and investments, differing from the others only in its being phrased as a penal statute. The Missouri statute requires securities held as collateral except such as are transferable on delivery to be transferred into the company's name. The principle of the above cited laws is entirely commendable although their omission would in all probability be attended by no serious consequences. It is possible, moreover, that contingencies might arise where it would be an advantage to the company to make a purchase in another's name or where it might find itself with securities on its hands which by the by-laws of the corporation issuing the same could not be held by another corporation, in which case the only recourse of the company would be to have the securities held by another in trust for the company. Placing the funds of the company in an individual name for any fraudulent purpose would undoubtedly come within the purview of the laws relating to embezzlement and larceny.

(b) Authorization of investments, loans and deposits. Provisions of this nature are found in the laws of Connecticut, Delaware, Massachusetts, Minnesota, Montana, Missouri, New York, North Dakota, Oregon, Tennessee, Texas, Washington and West Virginia. There are three forms of this provision:

(1) No loan or investment shall be made by a life insurance company of this state without the unanimous approval of its finance or executive committee or the approval of a majority of the directors of such company present at a meeting of such directors and the name of every director approving or disapproving any loan or investment so named shall be entered by the secretary on the records of the company. This form is law in Connecticut and West Virginia.

(2) No investment or loan except policy loans shall be made by any such life insurance company unless the same shall first have been authorized by the board of directors or by a committee thereof charged with the duty of supervising such investment or loan. This is law in Delaware, Minnesota, Montana, New Jersey (omitting the words "except policy loans" in the first line), New York (omitting the words "except policy loans"), North Dakota, Tennessee and Texas. It applies in these states to domestic life companies only.

(3) No investment, sale or loan, except loans on its own policies, shall be made which has not first been authorized by the board of directors or by a committee thereof charged with the duty of investing or loaning the funds of the company, nor shall any deposit be made in a bank or banking institution unless such bank or banking institution has first been approved as a bank of deposit by the board of directors or said committee thereof, and unless the board authorizing such investment, sale or loan or approval of the place of deposit has been duly recorded in the books of the company. This is law in Massachusetts, Oregon and Washington—Oregon omitting the words, "except loans on its own policies," and Washington having a slightly different wording of the final clause. The regulation applies in these states to all domestic companies.

The third form appears the more complete. There appears to be no valid reason why such a provision should not apply to companies other than life, the provision being an entirely salutary one. The provision appearing in the first form, of recording the name of every director approving or disapproving of the loan or investment is a provision which might be on occasion of great value as fixing the responsibility of the directors for the loans or investments of the company.

(c) **Prohibition of the receipt of fees or private profit by officials of insurance companies.** Provisions of this nature are found in the laws of Arizona, Connecticut, Iowa, Massachusetts, Minnesota, Missouri, New York, Oregon, Pennsylvania, Texas, Washington and West Virginia. There is considerable variation in these statutes not only in their wording but also in regard to the companies to which they apply. In Connecticut, Pennsylvania and West Virginia the laws apply to domestic life companies only. In all the other states they apply to all domestic companies. Texas has one law applying to domestic life companies only and another applying to all domestic and foreign companies. The following laws are in use in more than a single state:

(1) No director or officer of a life insurance company shall receive any money or valuable thing for negotiating, procuring or recommending any loan from such company or for selling or aiding in the sale of any stocks or securities to or by such company. This is law in Connecticut and West Virginia.

(2) No director or officer of an insurance corporation doing business in this state shall receive any money or valuable thing for negotiating, procuring, recommending or aiding in any purchase by or sale to such corporation of any property or any loan from such corporation or be pecuniarily interested either as principal, co-principal, agent or beneficiary, in any such purchase, sale or loan: provided, that nothing herein contained shall prevent any life insurance corporation from making a loan upon a policy held therein by the borrower not in excess of the net value thereof. This is law in New York and, with slight verbal changes, in Texas and, except that the proviso at the end is omitted, in Pennsylvania.

(3) No director or other officer thereof and no member of a committee having any authority in the investment or disposition of its funds shall accept or be the beneficiary of, either directly or remotely, any fee, brokerage, commission, gift or other consideration, for or on account of any loan, deposit, purchase, sale, payment, or exchange made by or on behalf of such company, or be pecuniarily interested in any such purchase, sale, or loan, either as borrower, principal, co-principal,

agent, attorney or beneficiary. This, in substance, is law in Arizona, Massachusetts and Washington, the above form being the Massachusetts form. Washington contains the somewhat notable addition of a proviso that an officer, etc., may procure a loan from the company direct upon approval by a two-thirds vote of the directors and upon deposit of securities as provided in the statute.

The consideration of public policy back of all these provisions is hardly necessary to discuss. Undoubtedly, it is wrong for persons holding a position of trust to extract profit therefrom. It is possible, however, to draft the law in such sweeping terms that it would operate to deprive the company of the services on its board of directors of persons actively engaged in business whose services to the company would be of considerable value. Personally, I prefer the New York form.

(d) **Responsibility of officers, directors, etc., for unlawful investments.** This subject is dealt with in the laws of Connecticut, West Virginia and Pennsylvania. All of these statutes make officers or directors of life insurance companies who consent to loans or investments in violation of law personally liable to the company for any loss which may be sustained on account of any such investments or loans. In the case of Connecticut and West Virginia a substantial criminal penalty as well is imposed, and the laws of these states provide for civil action by the Insurance Commissioner to recover the amount of the loss on complaint of any policyholder or stockholder. This provision has considerable merit and puts real teeth into the investment law. In its absence the liability will not ordinarily be enforced, for the directors and officers are the ones who should institute all suits in the company's name, and it is not thought that they will ordinarily sue themselves. The provision might reasonably be applied to companies other than life.

The variety of regulations and prohibitions affecting investments in income-bearing securities will be discussed in connection with that subject.

2. Laws Relating to the Holding of Real Estate and Other Property.

The laws governing the real estate holdings of the several companies are modeled rather closely on the laws of the State of New York. This law is by no means a bad model, although a portion of its attraction is doubtless due to its excellent rhetorical structure. Inasmuch as this statute has been so widely copied, and inasmuch as it covers nearly all of the legitimate excuses of insurance companies for holding real estate a convenient method for study would be to take it as a foundation and see how the other states have adapted it to their uses. The New York law permits the holding of real estate for purposes set forth in seven separate headings:

(1) The building in which it has its principal office and the land on which it stands. This provision appears in the laws of California, Idaho and Oregon, and similar provisions appear in the laws of Arizona, Colorado, Georgia, Indiana, Iowa, Nebraska, New Hampshire, Texas, Washington and Wisconsin, differing in the cases of all except Georgia mainly in the recognition in one form or another of the company's right to own or erect a building larger than it may need for its own use and to rent space therein. Arizona provides that after making the investment the company must have other assets at least one-half the required capital. Iowa limits the investment to 10% of the legal reserve of a life company or in the case of a stock company to the capital and 10% of its reserves. Nebraska sets a limit of 25% of the admitted assets, and Wisconsin a limit of 20% of the admitted assets.

(2) Such as shall be required for its convenient accommodation in the transaction of its business. This appears in the laws of Delaware, Idaho, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, North Dakota, Ohio, Oregon, Tennessee and Wyoming, and in substance in the laws of California, Kansas, Kentucky, Louisiana, Minnesota, Missouri and Pennsylvania. In Michigan, Ohio and South Dakota a variation is used which limits the company's authority to real estate necessary for its immediate accommodation. This latter limitation appears inadvisable. Undoubtedly, a company should not make an extravagant investment in buildings, but it is equally unwise not to make prudent provision for future

needs. Massachusetts limits investments of this class to 10% of invested assets including cash in bank; Minnesota and Mississippi to 25% of cash assets, and Louisiana to 25% of capital and surplus.

Undoubtedly, the feeling of many states has been that the first clause is too broad, and that this clause which regulates the authority of holding real estate in accordance with the companies' legitimate needs is preferable. This clause has been found broad enough in New York, however, to admit of the construction of a tuberculosis sanitarium for the company's employees, a construction which we must agree is liberal in spirit and laudable in its result, whatever be its merits as a strict interpretation of the language of the statute.

(5) Such as shall be required for the accommodation of its business. The present utility of this clause is not immediately apparent. Prior to the Armstrong investigation it had a real utility, inasmuch as it was not made subject to the later provision of the law requiring property to be disposed of within five years. The result of this was that it furnished authority for a company to continue to hold property which it had once acquired for the accommodation of its business irrespective of whether it was now necessary for that purpose or not, and, therefore, constituted one of the means by which real estate holdings of certain companies far beyond their requirements came to constitute a scandal of great proportions. One of the laws passed at the recommendation of the Armstrong Committee brought land held under this clause within the requirement of law calling for the disposition of property within five years. Outside of New York the section exists only in Idaho and Oregon.

(4) Such as shall have been mortgaged to it in good faith by way of security for loans previously contracted or for moneys due. This appears in the laws of Colorado, Delaware, Idaho, Indiana, Kansas, Kentucky, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas and Wyoming, and in substance in the laws of California, Michigan and Wisconsin. In California and Michigan the variation consists in including conveyances in trust or otherwise by way of security as well as mortgages. In Wisconsin a clause is used which combines somewhat compactly this clause with the following.

(5) Such as shall have been conveyed to it in satisfaction of debts previously contracted in the course of its dealings. This appear in the laws of all the states enumerated in the preceding clause except Wisconsin, and in addition in the laws of New Jersey and Pennsylvania.

(6) Such as shall have been purchased at sales upon judgments and decrees or mortgages obtained or made for such debts. This appears in the laws of Delaware, Indiana, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Wisconsin and Wyoming. In other states there is a considerable variance. Arizona has a simple compact provision embodying the substance of this and the two preceding clauses. California follows the clause in substance. Colorado adds the right to acquire real estate as junior judgment creditor or mortgagee, a right which companies clearly should have. Georgia accomplishes the same result, its clause allowing the company to buy or sell any realty that may be necessary for the protection of any loan it may make. Kentucky, Massachusetts and Michigan follow the clause in substance, the Massachusetts clause, however, being a combination of clauses 4 and 6. Pennsylvania adds to the clause authority to protect the company's interest by purchasing realty at sales under legal process or mortgage where the attachment lien or mortgage lien is prior to the company's. Texas follows the clause with a variation recognizing the right to purchase at sales upon liens other than mortgages. Washington has a clause like the Massachusetts clause, and in common with Massachusetts and Arizona, recognizes not only the right to acquire property by purchase, but also by the less familiar process of set-off upon execution.

(7) Such as shall have been acquired under sections 13 and 14 of the General Corporation Law. This is not found elsewhere than in New York. Section 13 of the General Corporation Law provides that when any insurance corporation except a life insurance corporation shall have sold or conveyed any part of its

real property it may apply within three years to the Supreme Court for authority to purchase other real property not in excess of the value of the property so sold and conveyed. This section furnished a convenient avenue for the acquirement of considerable realty not necessary for the company's use, and one part of the report of the Armstrong Committee barred the use of this section by life companies. Section 14 authorizes the acquisition of property outside the state for the accommodation of the company's business. Ordinarily, one would think that clause 2 was sufficiently broad to cover all that section 14 covers. The reason and justification of section 18, even in its present restricted form, is not immediately apparent.

As above stated, these seven headings cover most of the legitimate excuses of the company for holding real estate. There are, however, some contingencies which ought to be provided for: First, the case where a company owns property which is subject to an easement in favor of adjoining property. It may be a serious handicap if the company is unable to extinguish the easement by purchasing the adjoining property. Second, it is doubtful if clause 6 as it appears in the New York law is sufficiently broad. The right given by the laws of Colorado and Pennsylvania to protect the companies' interest by bidding in property on which it has a lien junior to that which is being enforced is a right which might be, on occasion, of great importance to a company and its lack might involve a serious loss. There are also in the laws of certain states judicial processes which the language of this clause is scarcely broad enough to cover.

I think it may fairly be said that the law is unnecessarily detailed. My idea of a proper authorization to hold real estate would be to include authority to own a home office building and the land on which it stands, reasonably necessary for the company's use, with reasonable provision to allow for the company's expansion and development; also, to own real estate necessary for the convenient accommodation of its business; these to be regarded as permanent investments. For temporary purposes, the company should be allowed to acquire all real estate necessary to protect any of its lawful interests without entering into too great detail as to what such interests shall consist of. Inasmuch as real estate thus acquired is for temporary purposes and would naturally be subject to the provisions of the law subsequently discussed requiring it to be sold within five years, the property holdings of the company under this heading would be at all times entirely under control.

After the seven clauses of the New York law follow:

(a) A provision that property acquired under clauses 3, 4, 5, 6 and 7, not necessary for the company's accommodation in the convenient transaction of its business shall be sold or disposed of within five years after title is acquired or after it has ceased to be necessary for the accommodation of the company's business. Authority is given to the Superintendent of Insurance to extend the time in case the interests of the company would suffer by a forced sale. This provision has been very generally followed, although some states omit it entirely. The principal variations turn on the time within which the property is to be sold and on whether there is any authority given to extend the time. As to the first, while five years is, by far, the most common limitation, the periods of two, three and ten years occur. As to the second, there are a few states where there is merely power to extend the time for a limited period. A power of extension should always be inserted, for a company which is under the necessity of getting rid of property within a given time is in an extremely awkward position and faces almost certain loss. Certain states have found it advisable to insert provisos that if land is held beyond the stipulated period the company shall still have the right to improve it and to convey it.

(b) A provision authorizing marine insurance companies to own real estate suitable for salvage operations. It would seem that the second clause is broad enough to cover everything under this provision. This provision has been copied in the laws of Louisiana, but not, I think, elsewhere.

(c) A provision that no domestic life company shall acquire property under clauses 1 and 2 or under section 14 of the General Corporation Law, and no foreign life company under clause 2, except with the approval of the Superintendent of Insurance. This has been followed in substance by Idaho, which, however, in the

case of a foreign life company permits the transaction if approved by the Commissioner of the company's home state. This provision on the whole is preferable to the mathematical limits of such investments mentioned under clauses 1 and 2. A fixed statutory limit is always productive of awkward situations and the elastic control at the discretion of the Superintendent of Insurance provided by this section is in every way preferable.

(d) A provision that domestic life companies and, in the case of property within the state, foreign life companies may not exchange their real property for other real property unless the acquisition of the latter shall be required for the company's accommodation in the convenient transaction of its business and unless it receives the approval of the Superintendent of Insurance. This has not been copied elsewhere, and its necessity is not immediately apparent.

3. Laws Relating to Income Producing Investments.

This forms a more substantial part of the investment law and is also the field in which the greatest variety exists. No two laws are exactly alike either as to funds limited or as to securities authorized. To this wide diversity it is impossible to do justice in brief space. It is, therefore, my intention to limit myself to merely a few salient points.

Laws may be divided into two classes; those which permit companies to invest in all securities not definitely prohibited, and those which inhibit companies from investing in securities not definitely authorized. Laws of the first class are found in states like Connecticut and West Virginia which have substantially no investment law, with the exception of certain prohibitions, and also states like Iowa and Massachusetts, which have extensive restricted funds, but no limitations on the investment of the balance. Laws of the second class are found in states like New York, which have certain funds more carefully restricted than the balance of the assets, and states like New Jersey, which have no differentiation, the same securities being authorized for all funds. Doubtless, there is something to be said in favor of each of these systems. Personally, I have found the Massachusetts system well fitted to the needs of the companies to which it applies. This law has a list of authorized investments prescribed for the investment of the capital stock of a company other than life, three-fourths of the reserve of a life company, and the entire surplus of a mutual company. While certain company executives have expressed the wish that the list of authorized investments be broader, all have expressed themselves as satisfied with the law as it stands, and apparently prefer the restriction provided by the law to no restriction at all. Whether this is because the general statutory direction of the investment policy relieves to a degree their feeling of responsibility or whether it is because the investment law furnishes a definite and conclusive answer to many a persistent vendor of securities is a matter of conjecture, but it is undoubtedly true that most human organizations operate with more ease under a certain measure of restriction than without any restriction at all. The Massachusetts law, limiting as it does only a portion of the funds, leaves a considerable balance unrestricted save for certain regulations and prohibitions, and scope is thus left to the companies to take advantage of attractive investments without being compelled to give great consideration as to whether they were specifically authorized or not. The states which undertake to lay down a complete list of investments covering all of the funds of the company are faced with the necessity of making that list broad enough to meet all reasonable contingencies. The broader they make it the more difficult it appears to restrict it wisely. Investment codes have seldom reached the proportions of the laws relating to savings banks and this is, I think, fortunate, because those laws with their wealth of detail have not infrequently resulted in an extremely stolid and uninspired policy of investment. Unless the law is expressed in very broad terms it must, therefore, be so detailed as to become somewhat difficult to apply, and must further be modified from time to time to meet new developments in the investment field. All this difficulty is avoided by the system of leaving all funds below the restricted funds free, and it would seem that all considerations of public policy can be better taken care of by regulation and prohibition of specific classes of securities rather than by setting forth in detail the entire list of

authorized investments. The securities which should be included in the list prescribed for the investment of the restricted funds depends entirely upon the extent of those funds. For small funds, a limited authorization is sufficient, such as United States bonds, state and municipal bonds and real estate mortgages, although to meet contingencies it might be advisable to do, as one or two states have done, namely, authorize other investments satisfactory to the Insurance Commissioner. Speaking generally, if the investments of the deposit were left entirely to the discretion of the Insurance Commissioner, all public interests would be conserved. Certain statutes strictly limiting the investment of a deposit of \$5,000, \$10,000 or \$15,000 strike me as being entirely absurd. If the restricted funds are of considerable extent a broader limitation is desirable. For a restricted fund such as the laws of Massachusetts provide I should include the following securities:

- (a) Bonds, notes and other securities of the United States.
- (b) Bonds, notes or other securities of the District of Columbia.
- (c) Bonds, notes and other securities of the several states of the United States.

Under this heading one must mention the fact that certain states see fit to limit the investment of certain funds in state bonds to bonds of their own state, including in some cases bonds of the state of incorporation, in case of foreign companies, and bonds of any state in which the company does business in the case of a domestic company. These limitations should be done away with. Insurance companies are and ought to be national in their scope, and the more we can forget state lines the less will insurance laws be open to the charge of provincialism. One can excuse a state permitting a higher loan value to its own bonds than to bonds of other states; but the spirit of true comity between states should require the recognition of all state bonds as on a par for all investment purposes with the bonds of the home state. Requirements such as appear in many codes that state bonds be legally authorized, legally issued, or that they be interest bearing will do no harm, but in the absence of a wild desire on the part of domestic insurance companies to purchase illegal and non-interest bearing investments, its omission is entirely possible. A restriction not infrequently seen that limits investments in state bonds to those that sell at or above par is highly inadvisable. Its operation is to prevent companies from buying bonds on favorable terms, and has a further effect of narrowing the market for state bonds just at the time when it ought to broaden. The requirement of several states that such securities must sell at not less than 80% of their par value is not so bad, but on the whole is better omitted.

(d) Bonds, notes and other evidences of indebtedness of any county, city or town, school district or other municipality or similar division of any state of the United States. Limitations similar to those discussed under the preceding heading are found in the various insurance laws with respect to this class also, and the criticisms made above apply equally here. Singularly enough, however, some states have been inclined to give a broader authority to invest in municipal bonds than in state bonds. Many states undertake to limit investments of this class with regard to the record of the municipality in paying the principal and interest on its funded debt, excluding such as have been in default within a certain period of years prior to the investment. This is not without some cogency, for there are very few sound excuses for a municipality failing to meet its obligations. Other limitations are found, based on the proportion which the funded debt bears to the last preceding valuation for purposes of taxation of property within municipal limits. This proportion varies considerably between states, being in some places as low as 3% and in others as high as 10%. The Massachusetts rule permitting investments in the securities of a domestic municipality without limitation, investments in municipalities wherever situated of over one hundred thousand in population without limitation, and in those of all other municipalities whose net debt does not exceed 5% of the last preceding valuation is one which I have been told works very well in practice. To determine the net debt all sinking funds and bonds on account of municipal enterprises which are to be paid out of revenue and not out of moneys raised by taxation may properly be deducted.

(e) Bonds, notes and other evidences of indebtedness of the Dominion of Canada and of the provinces and municipalities thereof. This appears in the laws

of a number of states near the Canadian border. It is recommended not only because of the general good character of these investments, but also in view of the close geographical proximity and similarity of language, laws and institutions and the manifest desirability of promoting intimate relations between Canada and the United States.

(f) **Similar securities of any nation in which the company is admitted to transact business.** Many states contain a clause authorizing the investment merely of the funds necessary to meet a company's obligation in a foreign country. Limitation to a fund of varying amount which cannot frequently be determined as of a given time except after an interval of some months is undesirable. On the whole, it is preferable to leave the matter open, and it will be found in practice that the companies do not incline to send their money further afield than they have to.

(g) **Policy loans, in case of life companies.** Such loans should not be for more than the reserve value of the policy pledged. That is the usual limitation and one which one would hope would be observed without the limitation expressed. One state fixes 95% of the reserve value as the limit. Another limits such loans to the surrender value expressed in the policy, but the majority of states use the limitation above noted.

(h) **First mortgages on unencumbered real estate situated in the United States, the Dominion of Canada or any nation in which the company does business.** First mortgages on long term lease-holds, recognized in several states, notably Massachusetts and Ohio, may be properly included, such lease-holds being of frequent occurrence in certain localities.

Inasmuch as mortgage investments constitute an important class of the securities held by insurance companies, a somewhat more detailed commentary may be made under this heading. Many codes restrict mortgage investments to those on improved real estate. That improvements enhance the value of real estate and make it more readily marketable is undoubtedly true. On the whole, however, this consideration may be safely left to the discretion of the companies. The word "unencumbered" has produced in certain codes, notably New York, an explanatory provision indicating that certain encumbrances such as easements and building restrictions shall not be considered encumbrances for the purposes of this provision. It is obvious that the term "unencumbered" as here used should include properly only such encumbrances as prior mortgage liens, attachments, mechanics' liens, tax liens and the like, where in certain contingencies the lienor might assert a title superior to that of the mortgagee. Easements and building restrictions may decrease the value of the land, but could never result in the total dispossession of the legal title.

There is a considerable diversity among the several states as to the amount which may be loaned upon a given parcel of real estate. The lowest limit I am aware of is in Iowa, where it is 50% of the value of the land exclusive of improvements and 40% inclusive of improvements, such improvements to be of brick or stone. 50% of the value of the land including improvements is the rule in Alabama, Arkansas, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa (foreign companies), Kansas (life companies), Maryland, Michigan, Minnesota, Mississippi, Nevada, Montana, Nebraska, New Hampshire, New Mexico, North Dakota, Oregon, Oklahoma, South Dakota, Tennessee, Texas, Virginia, West Virginia, Wisconsin (life companies) and Wyoming. 60% is the rule in California, Maine, Massachusetts and Pennsylvania (life companies). 66 2-3% is the rule in Arizona, Colorado, Florida, Idaho, Kansas (other than life), Kentucky, Louisiana, New Jersey, New York, Pennsylvania (other than life), Utah, Washington and Wisconsin (other than life). 70% is the rule in the District of Columbia; and in North Carolina, Rhode Island and South Carolina no limit is given. The limitation in Vermont I was unable to ascertain. What constitutes a proper limit is a matter of judgment. It is obvious that 50% is that most generally adopted and was, I believe, recommended in the case of life companies by the Armstrong Committee. 66 2-3% is probably entirely safe, and in view of its having a reasonably wide acceptance is taken in preference to 60%. There seems no reason why the same limits should not apply to life companies and to other companies as well. In case

of mortgages having provisions calling for the amortization of the principal a limit even higher is not out of the question, but my impression is that 66 2-3% will be ample for most public necessities, and certainly sufficient for all requirements of the companies.

It is very customary to insert provisions requiring buildings included in the estimate of the value to be insured so as to cover the interest of the mortgagee. Such a provision is one which the company's officials should attend to as a matter of ordinary business prudence and, unless it has been neglected frequently in the case of local companies, might well be omitted. An attempt to instill business prudence by statutory law is not, as a rule, a hopeful or desirable undertaking.

(i) **Real estate necessary for the company's accommodation in the convenient transaction of its business.** This is properly a permanent investment and should be a part of the capital or of the fund of the company analogous to the capital.

(j) **Corporate bonds.** As to how these should be limited is a moot question. There exist several legislative tests too numerous to discuss in detail. The Armstrong Committee in considering the investments of life companies made the following statement which I think is thoroughly sound:

"It is difficult to draw any satisfactory line with reference to investments in negotiable bonds. It would not be advisable to restrict the investments of life insurance companies in the same manner as those of savings banks. The securities available for investment under such limitations would not be large enough in amount to furnish a sufficient field for the profitable investment of the large accumulations of insurance corporations. It has been feared that such a restriction would prove to be too severe and might operate so far to increase the demand for the favored securities as to preclude a satisfactory rate of income. After much reflection upon this subject the Committee is of opinion that no satisfactory line can be drawn with reference to investments in bonds, other than collateral trust bonds, without hampering the companies in the enjoyment of that reasonable freedom of investment necessary to ensure the return upon which the calculations of their risks are based. Investments in collateral trust bonds, where the greater part of the security consists of the hypothecated stocks of corporations, should not be permitted. But otherwise, the field of investment being limited to evidences of indebtedness it is believed that the choice of particular securities may better be left to the discretion of the directors."

The recommendation of the Committee, applying to life companies only, was merely that investments in bonds secured to the extent of more than one-third of the value of the entire security therefor by the deposit of corporate stocks should be prohibited. The New York law which has frequently been copied by other states is more narrow than this recommendation, restricting life companies to bonds secured by adequate collateral security not more than one-third of the total value of which security shall consist of shares of stock. This limitation and any other limitation must be judged by experience, with reference to the question (a) whether it is necessary for safety, and (b) whether it has secured safety at the expense of hampering the companies in the enjoyment of a reasonable freedom of investment. This question is well worth looking into. I assume that the New York definition is broad enough to include mortgage bonds and bonds secured by guarantee as well as those secured by the deposit of negotiable securities or similar collateral.

Limitations based on the record of the company in paying dividends are to be distrusted. Dividends paid but not earned weaken a company, and in the case of a large corporation it is not always a simple matter to ascertain whether a dividend has been in fact earned or not. Unfortunately, the financial statements of the companies are not always illuminating upon this question. So, too, with limitations based on defaults in the payment of interest or principal. This may occur for temporary reasons entirely apart from the company's condition and, if made good, should not be a bar. A limitation based on the character of the

company is a fairly logical test, as for instance the specification of railroad, street railways, gas or electric light companies, or what is generally included in the term "public utilities." A public utility corporation is one performing a service necessary to the public, and the public, therefore, has a direct interest in its financial well being. They are only to a limited extent competing corporations, and within the sphere of their operations they are entitled at least in theory, to collect charges for service sufficient to insure a fair return upon their investment. This has proven easier of application in case of gas or electric light companies and telephone and telegraph companies than in case of traction companies which, due to over-regulation, rate difficulties, increased cost of operation, and a very unfortunate labor situation, have exhibited within recent years notable signs of distress. But the public necessity of keeping all these agencies in operation gives their securities a value based on surer grounds than those of ordinary corporations. Many codes already include railroad and street railway securities, and it would seem that the securities of other public utility corporations are at present at least as attractive. I should be inclined, therefore, to authorize in any case the bonds of railroad, street railway, gas, electric light, telephone and telegraph corporations, possibly adding a restriction that the bonds should be secured by mortgage, by adequate guarantee or by other satisfactory collateral security.

(k) Collateral loans upon the foregoing classes of securities. The relation which the valuation of the security shall bear to the amount of loan is regulated in a number of states. If it be deemed unsafe to leave this matter to the discretion of the companies' officials, a requirement that the market value of the collateral be at all times greater than the amount of the loan would appear sufficient, the extent of the margin being left to the discretion of the companies' officials.

Farm loan bonds under the Federal Farm Loan Act of 1916 are frequently authorized as investments for any of the funds of insurance companies. Not being familiar with this class of security I am not inserting it in this list, but I have no doubt that they are entirely sound and that their insertion would be warranted.

As to the securities authorized for the investment of the other funds, I will not undertake to discuss all of the classes that might be included. As above stated, my preference would be to omit the specification of securities for the remaining funds entirely, covering the matter preferably by restrictions and prohibitions; in other words, specifying what they cannot do rather than what they can do.

I submit the following commentary on some of the more important prohibition and regulations that are found in insurance codes:

(1) Life companies not to participate in underwritings. The statute most generally in use reads as follows: "No such company shall subscribe to or participate in any underwritings of the purchase or sale of securities or property or enter into any transaction for such purchase or sale on account of said company jointly with any other person, firm or corporation; nor shall any such company enter into any agreement to withhold from sale any of its property, but the disposition of its property shall be at all times within the control of its board of directors."

This law was recommended by the Armstrong Committee and enacted into law in New York. It also appears in the laws of Delaware, Massachusetts, Montana, Minnesota, New Jersey, North Dakota, Oklahoma, Pennsylvania, Tennessee and Texas. The laws are substantially identical with the exception of Pennsylvania, which contains only the prohibition against entering into agreements to withhold from sale any of the company's property. The reason for this law originated in the very extensive syndicate participations by life insurance companies prior to 1907, and the following citation from the report of the Armstrong Committee may be properly inserted:

"The dangerous tendencies of these practices are obvious. They have brought insurance companies into close relations with railroads, banks, trust companies, banking houses and the flotation of new enterprises, thus involving them in the manifold transactions of the financial world not in their normal relation as creditors through suitable investments, but as co-owners of the corporations and promoters of the undertaking to which

they have thus become allied. They have weakened the sense of official responsibility, multiplied the opportunities for gains, both direct and indirect, to officers and directors through the use of the companies' funds, and making easy the exercise of official discretion at the promptings of self-interest. But they were not incorporated to make money by speculation, by barter, by purchase for resale or by the development of industry. They were chartered to furnish life insurance, and the true measure of their power and their duty in the handling of their funds is to invest them with due conservatism, to the end that they may be able to discharge their obligations."

This prohibition was, therefore, enacted not because of the inherent evil or unsoundness of underwritings and other syndicate participations, but because of the fact that they were in their nature speculations rather than investments and associated the huge accumulations of life insurance companies altogether too closely with the transactions of the stock market. It applies to life companies only, except in Oklahoma, probably because the evil existed (at the time) in its most aggravated form among the life companies. The statute is, however, expressed in very sweeping terms. New Jersey and Massachusetts both found new legislation necessary to authorize life companies to subscribe for proposed war-time issues of bonds of the United States. The New Jersey law gives permission not only to subscribe for United States bonds, but for other bonds authorized as investments, provided that the subscription be made for a definite amount and a definite price. It has also been found necessary in Massachusetts, New Jersey and New York to enact a proviso that nothing in the law shall be construed as prohibiting an insurance company from entering into an agreement for the purpose of protecting the interest of the company in securities lawfully held by it or for the purpose of re-organization of a corporation which issued securities so held and from depositing such securities with a committee or depositaries appointed under such agreement; nor from accepting corporate stock or bonds or other securities which may be distributed pursuant to any such agreement or any such plan of reorganization. In New Jersey and New York provision is made that agreements and plans for reorganization must be approved in writing by the Insurance Commissioner and that if securities so received are not otherwise available as an investment they shall be disposed of within five years or within such further time as the Insurance Commissioner may permit. In view of these changes, both of which are entirely legitimate and even necessary to the well-being of the companies, it would appear proper to consider whether the phraseology of the original statute should not be further revised.

(2) **Prohibitions against doing business other than insurance.** Under this heading comes the prohibition against dealing in goods, wares, or merchandise except articles insured by the company on which losses are claimed and except in replacing, rebuilding or repairing insured property as provided in the company's policies, found in the laws of Louisiana, Massachusetts and Wisconsin, and the prohibition against discounting commercial paper or engaging in any banking business, found in Louisiana.

(3) **Prohibitions against holding stocks.** These are somewhat varied in their scope. This heading includes the prohibition against life insurance companies investing in corporate stock which is found in Delaware, Minnesota, Montana and New York; against holding the stock of any domestic corporation, found in Oklahoma; against investing in stock of mining companies, found in Connecticut (life companies), Idaho, Nevada, and West Virginia (life companies); against investing in the stocks of manufacturing companies, found in Connecticut (life companies) and West Virginia (life companies); against investing in stocks of oil companies or in fish, fruit or vegetable canning companies, found in Idaho; against investing in stocks or evidences of indebtedness liable to assessment except for taxes, found in Pennsylvania, Massachusetts (life companies), Oklahoma, and Wisconsin; against investing in the company's own stock, found in New Hampshire, New York, Oklahoma, Pennsylvania, Texas and Wisconsin; against investing in the stock of any insurance company, found in Nebraska and Oklahoma; against

investing in the stock of any insurance company carrying on the same line of business, found in New York, Oklahoma and Pennsylvania.

The holding of stocks by life insurance companies was stated by the Armstrong Committee to be "fundamentally objectionable, as the corporation, instead of holding a secured obligation, acquires a proprietary interest in another business, with rights subject to all indebtedness which may be created in the conduct of it and often direct liabilities as stockholders. This interest must be nourished and supported. Instead of being a creditor with adequate security, to which upon default the corporation must resort, it assumes the responsibilities of proprietorship and must contribute from the accumulations provided by the policyholders in order to sustain the enterprise. If the stock holdings constitute a small minority the investment is at the mercy of administrators chosen by a majority of the stockholders. If the stock interest be a large one it is frequently found advisable to increase it until a substantial control is effected, and the insurance corporation is not only engaged in a different enterprise, but directly undertakes its management. Such relations afford ready opportunities to conceal the irregular transactions and hide the malversation of funds."

It may be doubted whether the distinction between creditor and stockholder drawn by the Committee is as vitally different as they appeared to believe. There has been at least one instance of late of an insurance company undertaking to voice an opinion as to the policy of a railroad with respect to the wages paid to its employees, and justifying its action by the statement that it was by no means impossible that the bondholders of the company would be compelled to take over the management of the road. Instances of bondholders being called upon to protect their interests and even on occasion to support them are by no means unheard of. In the main, however, they are not charged, as the stockholders are, with the management of the company, and if it appears difficult to distinguish whether domestic companies are holding stocks clearly as an investment or for the purpose of controlling businesses in order to do indirectly certain things they cannot do directly, the prohibition is perhaps justified. So long, however, as the power to invest in stocks is exercised in a reasonable manner this avenue of investment ought not to be entirely closed. The merits of the prohibitions against investment in stocks of mining companies, manufacturing companies, oil companies and canning companies, mentioned above, I will not undertake to discuss, further than to say that there are some portions of those prohibitions which will strike a responsive chord in many bosoms. The prohibition of investing in stocks or evidences of indebtedness liable to assessments is, of course, aimed principally at bank stocks, although undoubtedly affecting all stock issued not fully paid in or otherwise liable to assessment. There is, of course, a real issue of public policy involved in this restriction. Too close a connection between a bank and an insurance company is to be avoided because of the temptation to use insurance funds for banking purposes or banking funds for insurance purposes. The prohibition, however, is unfortunate in that it excludes companies from many peculiarly profitable and secure investments, and it is perhaps opportune to consider whether a limitation as to the amount of stock which might be owned in any one bank might not accomplish all proper purposes. Undesirable securities might be eliminated by a restriction to the stocks of banks which are members of the federal reserve system. The various prohibitions against investing in the stocks of insurance companies, whether they go so far as to prohibit investment in the stocks of all insurance companies or merely those transacting the same classes of business, do not appear to be founded on any certain ground of public policy. In view of the separation of powers and the limited charters given to domestic companies by the laws of most states, stock control of other insurance corporations is the one means by which a single insurance company can afford a general insurance service, which elsewhere than in the United States is found highly advantageous, both to the company and to the public. With respect to ownership of the stock of a company transacting the same line of business, I would submit that to permit such ownership directly is at least as consistent with public policy as to permit an insurance company to hold the stock of a holding company formed to hold the stock of an insurance company transacting the same

line of business, conceding, however, that if any states feel that, coincident with securing all the substantial benefits of direct ownership, they still experience the glow of virtue by authorizing merely direct ownership once removed, there can be no possible objection to their continuing to do so.

(3) **Prohibitions on investment in bonds.** These are somewhat rare, the principal one being that already noted, prohibiting life companies from investing in bonds unless secured by adequate collateral security, not more than one-third of which shall consist in shares of stock.

(4) **Prohibition against investments in personal security or unincorporated enterprises.** This is found in the laws of Maine, Pennsylvania, Massachusetts, Oklahoma and Wisconsin. The merit of this limitation is not easy to see, unless it be on the theory that corporate securities are as a rule more secure than those issued by individuals or associations. A condition is by no means impossible whereby transaction of business through the medium of partnerships or voluntary associations would possess certain tangible advantages over corporate management, in which case this limitation might prove unduly restrictive. At present, it appears to cause no difficulty. There is one class of security furnished by an individual which might, I presume, come within this prohibition, namely, bankers' acceptances, which constitute a very desirable investment for the more liquid funds of an insurance company. It might also be interpreted so as to bar certain forms of equipment trust certificates.

(5) **Limitations as to interest and dividend returns.** In addition to the provisions annexed to certain specific classes of securities, that they be interest bearing, there are some provisions affecting all securities. There is a provision in the New York law that securities may not be recognized as an investment for the capital of an insurance company unless they bear interest. Connecticut and West Virginia have a provision prohibiting life companies from investing in the stock of corporations which have not paid a dividend of 4% for the preceding five years, and New Jersey has a similar statute except that the requirement is regular dividends rather than a fixed amount. Washington has a provision that investments and loans except investments in real estate or the home office of the company shall be in interest or dividend bearing securities which have not been in default of interest or, in the case of stocks, shall have earned and paid dividends of not less than 4% during each of the three years next preceding the time of such investment. South Dakota has a provision that investments of all domestic companies shall be such as will yield a net annual income of not less than 4% in interest or dividends as the case may be. Without doubt, companies should seek profitable investments, but a sweeping provision as to the rate of dividend might at one time or another produce very unfortunate results. There have been times when a provision as sweeping as that of South Dakota would have eliminated all investments in government securities and most of the better grades of state and municipal securities. Those times are not likely, however, to recur for some little time to come. On the whole, it would appear wise to leave the matter of income return to the discretion of the boards of directors of the companies, who can normally be trusted not to place investments in securities having an unduly low rate.

(6) **Regulations as to the quantum of particular investments.** Many states have undertaken to regulate the amount which may be placed in a single form of investment, and the proportion of the assets of a company which may be invested in a single investment or a single class of investments. The most common of these is a requirement that no company shall invest more than 10% of its capital and surplus in, or acquire more than 10% of the capital stock of a single corporation. This is found in Georgia, Idaho, Massachusetts (life companies only), and Oklahoma. Wisconsin has a provision that no domestic insurance company shall invest more than 10% of its admitted assets in the stock or securities of any one corporation. The provision limiting the stock ownership in any one corporation to 10% of the stock is based upon the theory that it is against public policy for an insurance company to control another corporation. From the standpoint of safety a majority interest in the stock of a corporation is far safer than a minority interest.

Other regulations of similar character may be briefly noted:

Life insurance company not to hold more than 20% of the stock of any one corporation or invest more than 2% of its assets in the stock of any one corporation. Not to invest over 10% of its assets in bonds of any one corporation. Not to loan in the aggregate more than 2% of its assets on the security of the stock of any one corporation nor more than 10% of its assets on the security of the bonds of any one corporation.—New Jersey.

Not to invest more than 15% of assets in bank stocks.—Mississippi.

Not to own more than one-third of any bank.—Kentucky.

Not to invest more than one-seventh of its capital and accumulations in the stock and bonds of any one railroad, street railway or traction company.—Kentucky. Michigan has a very similar provision, except that the limitation is one-fourth of its capital and surplus in the case of any one street railway.

Not to invest in or loan more than one-half of its capital and accumulations in railroad, street railway and traction properties.—Kentucky.

Not to invest more than 15% of its capital and surplus in loans secured by bank stock.—Michigan.

Not to invest more than one-twentieth of its capital and surplus in the bonds of any one corporation other than railways.—Michigan.

Not to loan more than one-tenth of its capital to any one person, firm or corporation.—Michigan and Washington.

Not to loan more than 25% of capital on grain warehouse receipts.—Minnesota.

Not to invest or loan any part of capital or more than 30% of surplus in stocks of any companies carrying on the same kind of business.—New Hampshire.

Not to invest more than three-fourths of the capital and accumulations on mortgage loans on real estate.—Kentucky.

Not to invest more than one-fifth of assets in single mortgage.—Pennsylvania.

Not to invest over 80% of assets in mortgages nor more than 10% in a single mortgage.—Louisiana.

Life companies not to keep on deposit in any one bank or trust company for more than ten days consecutively a sum exceeding 3% of assets. This does not apply to deposits of less than \$100,000.—New Jersey.

There is a certain measure of sound policy back of all these limitations, namely, that an insurance company should not place too great a proportion of its funds in a single investment or a single class of investments. I doubt, however, the advisability of attempting to enforce this policy by legislative rules of thumb. It will be seen by glancing at the above that the majority of these restrictions occur in only a few states, Kentucky and Michigan being the ones which have the more extensive provisions of this type. The fact that so many states have found it unnecessary to establish such limitations would indicate that this is on the whole a matter which may ordinarily be left to the judgment of the company's directors.

The Quantum of Mortgage Investments. Closely allied to this general subject is the theory that appears to be involved in some phases of an investigation at present taking place in a certain state that a degree of compulsion should be exerted to induce a larger investment of the funds of insurance companies in mortgages on real estate. Mortgage investments are an important part of the investments of life companies, the great stability of the funds of those companies making such investments well adapted to their purposes. The advisability of such investments for companies other than life depends on several considerations relating in part to the nature of the funds themselves and in part to the conditions attendant upon mortgage investments. With regard to the nature of the funds it should be borne in mind that mortgages are not in the ordinary meaning of the term liquid investments. They can be liquidated, that is, turned into cash, but the process of liquidation is frequently very slow. There is no such market for mortgage investments as there is in the case of security investments. The matter of finding purchasers for securities at a price is usually a very simple one, and the

transfer is attended with a minimum of difficulty. With regard to mortgages, not only must the purchaser be found, and the number of purchasers who desire mortgage investments is very limited compared to those desiring to purchase securities investments, but the transfer is subject to delay, consequent upon the details of supplying a certificate of title and drawing and recording proper assignments. If, therefore, a company in the nature of its business must provide for the contingency of making extensive liquidation of its funds, mortgage investments are not well adapted to its purposes. While the investments of almost all life companies in mortgages are extremely heavy, of the ten largest fire insurance companies six have not a single mortgage investment, and the entire mortgage investments of the four others amount to less than a million dollars. If this be the case of the biggest and presumably the best, it is not to be expected that the smaller companies, whose funds are presumably less stable, will invest heavily in mortgages. It is probable, however, that the older and better established of the fire companies could, so far as the stability of their funds go, lend more money on mortgages than they do.

One reason why they do not is very possibly due to the fact that mortgage investments require a great deal of care. I am speaking for the moment of city mortgages rather than of farm mortgages, because it is for mortgages on city property that the demand is probably more urgent at the present time. Mortgage investments, in order to be profitable, must in the first instance be carefully selected. The company must assure itself of the value of the property, must see that they have proper evidence of clear title in the mortgagor and see that the mortgage conveyances are properly drawn. After the mortgage is placed, it requires constant watching. The mortgagee must not only see that the interest is punctually paid, but must assure himself that the mortgagor has not omitted taxes or other liens to attach, that he has not permitted his property to deteriorate, that the buildings are kept properly insured and, further, must be continually on the watch against a depreciation in the value of the security by reason of a change in the character of the neighborhood or a shift in population of the city in which it is located. It is no difficult thing to look after all of these details in case of a small mortgage investment within easy range of the home office, but when a mortgage investment becomes large and is scattered over a considerable range of territory, then the task of caring for all these several details necessitates the creation of a special organization for this purpose. Such an organization is unduly expensive unless the mortgage investment is of considerable magnitude, and it may be that one reason why fire companies have not entered into the mortgage field is in part because they could not devote enough funds to this purpose to warrant the creation of this special organization.

It does not follow that these difficulties are insuperable. Mortgages could be made more liquid than they are by providing for the regular amortization of the principal. In the case of farm mortgages the fact that these mortgages are taken with the idea that the principal will be retired, and that at no distant date, frequently with provision made for the payment of the principal at regular stated intervals, has caused such mortgages in the mass to produce each year a considerable quantity of repaid principal available for re-investment, thus supplying the company with a stream of ready money coming in which may be, in case of necessity, diverted to current uses. The city mortgage, on the other hand, is usually put on with the idea that it is going to stay for an indefinite period and is frequently underlaid by other mortgages at higher rates of interest which the mortgagor is naturally anxious to retire before undertaking to reduce the first mortgage. Were such mortgages given on conditions providing for the amortization of the principal they might conceivably be more available for the purposes of companies other than life.

It is by no means out of the question to presume that if the difficulty lies in the fact that companies could not individually make a sufficiently large mortgage investment to warrant the creation of the special machinery necessary to handle it properly, several companies could formulate an arrangement whereby their mortgage funds could be pooled.

One further difficulty, however, with mortgage investments must be mentioned,

namely, the difficulty of realizing on the security. The laws of many states have been framed with much consideration for the rights of the mortgagor. In order to foreclose, the mortgagee must go through an elaborate procedure, frequently through the medium of the courts, must run the risk of litigation, and after the formal steps are completed may have still to wait for some years before the right to redemption is finally extinct and he is in a position to convey a title free and clear of encumbrances. During this time he is under the necessity of maintaining the property, securing tenants and assuming the various incidents of ownership. In the case of farm mortgages the contingency of foreclosure is far less than in the case of city property, where the mortgagor not infrequently retains only a very small equity. The remedy for this condition requires legislative action, and simple and effectual means of foreclosure should be provided unless the state desires to see investment capital stand aloof from the mortgage field.

Without denying that the funds of an insurance company should be managed with consideration to the public needs it is submitted that the issues depending on the maintenance of sound financial condition by insurance companies of whatever type are sufficiently great so their well-being is entitled to very careful consideration. They should not be compelled directly or indirectly to place money in any type of security to a greater extent than is consistent with their maintaining at all times the means to meet their obligations promptly and the opportunity of investing their funds so as to secure advantageous returns whether for stockholders or for policy-holders.

Conclusion.

The investment law has the same function with regard to the companies that the fence around the race track has with regard to the horses, namely, to confine their attention to the business they are there for and keep them from doing damage to the public at large. The real function of the law is, therefore, to restrain. It can properly contain such provisions as will confine the companies to the business of insurance and limit their investments to such as will be investments and not speculations, or excuses for undertaking the control and management of businesses other than those for which they were incorporated. It can properly limit the investment of a certain proportion of the funds to high-grade securities, thus furnishing a nucleus of real value behind the company's obligations. If it undertakes to go further it runs the danger of so hampering the companies as seriously to interfere with their normal and successful development. Inside the law the company must find reasonable and adequate opportunity to secure profitable investments suited to the conditions affecting the corporate funds. If the assets affected are large, a too narrow law will not only hurt the companies, but may be prejudicial to the public welfare as well, by forcing so great a proportion of funds into restricted channels as to create therein an artificial abundance resulting in abnormally low rates of return to the company, and to produce a modification of the economic laws of supply and demand which, if carried to excess, may have most serious consequences. Attempts through these laws to control or limit the investment policy of the companies by prescribing how much they shall or shall not invest in certain lines of investment are not only of little value but may in given cases produce disastrous results by forcing on the company an investment policy not fitted to its needs.

The investments of insurance companies are of enormous public importance not only because of the magnitude of the sums involved but because of the magnitude of the interests they secure. A notable proportion of the investments most favored by law for insurance companies depend for their value upon legislative policy. The value of the securities of public service corporations depends on the will of the state and of the nation to assure the security-holders a fair return on their investment. The value of real estate mortgages depends in a large measure upon the consideration given by the state to the rights of the mortgagee or its disposition to favor unduly the rights of the mortgagor to the prejudice of the mortgagee. In the case of securities which ordinarily are without question, namely, municipal securities, state securities and even national securities, it has, I am sure, not escaped your observation that the volume of those securities has increased to such an extent that the possibility of their liquidation depends

on the amount of self-control exercised by Congress, by the state legislatures and by local governing bodies with respect to abstaining from unnecessary issues of new securities and also with respect to the measures taken to meet interest requirements and to provide for the extinguishment of present debts at maturity. The failure of municipalities or even of states to meet their obligations is unfortunately a contingency by no means unknown. Such a failure on the part of the nation would, of course, involve in that failure the downfall of every financial institution in the country. It does not befit us, however, to be pessimists. Let us rather anticipate, with assured confidence both in the national Congress and in the legislative bodies of our states, that their course will be marked by justice, prudence and moderation, by the practice of thrift and economy, and by the adoption of efficient measures toward the reduction of the burdens of taxation and the upholding of the public credit.

SHOULD ALL TYPES OF CARRIERS BE SUBJECT TO UNIFORM REQUIREMENTS RESPECTING RESERVES AND SUPERVISION.

By Platt Whitman, Commissioner of Insurance of Wisconsin.

To me there is but one answer to the question propounded and that is the affirmative. I know no logical argument against uniform requirements for reserves for liabilities due and accrued for unearned premiums and unpaid losses. An examination of the statutes of the various states, however, discloses that there is a wide difference of opinion as to the proper reserves for stock companies, mutuals and reciprocals. Indeed, few states have uniform requirements.

Those states which do not require of mutuals and reciprocals the same reserve as is required of stock companies evidently deem the right to assess a sufficient safeguard against insolvency. This assumption may be correct in theory but in actual practise I have found the assessment feature a very uncertain asset. The policy-holder seldom feels any more obligation to pay more than the initial premium and where the amount of assessment is small the expense of collecting is usually greater than the amount collected.

But assuming that it is a safeguard against insolvency it does not relieve the policy-holder from the lack of equity in the distribution of liability.

It is recognized by mutuals that it is exceedingly dangerous to levy an assessment and it is rarely resorted to until their funds are exhausted. How often do we find a company operating year after year with a small underwriting loss but through increase in volume of business has been able to keep sufficient cash on hand to pay losses and expenses. But the final day of reckoning is inevitable. The underwriting losses may have occurred several years before the entry of the policy-holder into the company. It may be that the company has been making a profit during the period of his membership. Quite often those who were members during the time the losses were sustained have dropped out. The injustice of shouldering the burden upon those who were so unfortunate as to be members of the company at the time of such assessment is apparent. It would be strange indeed if they felt morally bound to pay it. I feel that it is quite as important to protect a policy-holder against entering a company in this condition as it is to prevent an insolvent stock carrier from soliciting business.

An unearned premium reserve serves several purposes. The statutes of most states provide that a company shall hold as a deposit in trust for the assured, for which he shall have a preferred claim, a pro-rata part of the premium paid on a standard fire insurance policy. These statutes are based on the assumption that it is more important that the assets of a fire insurance company be used to refund to the policy-holder his unearned premium than to be used in the payment of losses suffered by a conflagration or in the event of insolvency.

The first purpose of an unearned premium reserve, therefore, is to create a fund to cover this liability. In a mutual or reciprocal the policy-holder has a greater right to the return of the unused portion of his premium or deposit by reason of the fact that he was under a contingent liability during the period

of his membership. In theory, at least, the member is not only entitled to the unused portion of his premium or deposit but is entitled to his proportion of the profit made during the period of his membership. If there has been an underwriting loss his proportion of the loss should be deducted from the unearned premium.

Its second purpose is to create a fund sufficient to re-insure the business if necessary or desirable in a solvent company or to run off the business for the balance of the term.

A company that can meet these requirements is theoretically solvent and one that cannot meet them is insolvent both in theory and in fact. No company be it stock, mutual or reciprocal so situated should be permitted to do business.

There is another very important reason for setting up the full unearned premium reserve. Without it the important question of underwriting profit or loss cannot be determined. Any company that is not making an underwriting profit is in grave danger of insolvency, unless it is fortified by a large capital and surplus. Is it not important that this test be applied to mutuals and reciprocals?

We have seen a number of these companies start out filled with zeal and enthusiasm, but in their anxiety to build up a large company have looked more to volume than to standard of business. Many of them have shown a consistent underwriting loss but by writing a large proportion of term business and doubling the volume written have been able to postpone the final day. The officers and members have then awakened to the fact that a large assessment was necessary and as usual those who are least liable must suffer. Such injustice should not be permitted.

Allow me to dwell for a moment on the subject of loss reserve. The statutes of the different states vary as to the amount required to be set up for casualty loss reserves. Practically all, however, use the earned premiums as the basis.

I see no relation between the liability for losses and the amount of premiums collected to cover them. My state, in common with most of the states, permits all companies to set up a certain percentage of their earned premiums as a loss reserve. A mutual, which is permitted to write at a lower rate, is, therefore, permitted to set up a smaller reserve to cover the same liability. I find that in Workmen's Compensation this results in loss reserves varying from \$65.00 down to less than \$50.00 for each \$100.00 of liability. Even among mutuals the loss reserve is not the same.

It is logical to base the unearned premium reserve on the premium collected. The policy-holder is entitled to a return of a pro-rata only of the amount he has paid and we are reasonably certain that the premium paid is sufficient to re-insure the business, but it is not logical to assume that the liability will be less simply because a company has received a smaller amount for assuming it. I firmly believe that all companies should set up as a loss reserve an equal amount in dollars for each \$100.00 of liability.

I find too that the better mutuals and reciprocals do not object to uniform requirements respecting reserves.

The statutes of practically all the states provide for supervision of insurance through a supervisory official. This form of state activity has shown remarkable growth since its inception in Massachusetts in 1852. The development of the business in the past decade has been remarkable. Recent developments in insurance legislation show that the tendency is toward more supervision rather than less. This being the case we are confronted with the fact that state supervision is an ever present continuous condition under which insurance companies must transact their business.

Mutuals and reciprocal insurance companies in theory, although not always in practise, are great co-operative enterprises. They are not selfish commercial movements in which profits to a small group of individuals is the paramount consideration.

I believe the present requirements relative to the organization of mutuals and

reciprocals are insufficient. How often have we seen these companies organize and officered by fine men unfamiliar with the first principle of insurance. In my state, if two hundred applications for insurance can be secured a mutual company may be organized and commence doing business. We require of a stock company a capital stock and surplus of \$125,000.00, which, in my opinion, is too small. For the proper protection of the public and of the well-managed mutuals and reciprocals, the present requirements for the formation and licensing of these companies should be changed.

Proper supervision has made mutual and reciprocal insurance what they are today. Strict supervision has the tendency to build up rather than to destroy and in those states which have strict advisory statutes properly enforced we find the strongest companies of this class.

We have also seen in late years the drifting tendency towards state insurance. It is my firm conviction that the off-set to this is strong supervision and strict regulation of all carriers. In a number of the states we have state funds for the writing of workmen's compensation insurance. This is undoubtedly due to the fact that in those states underwriting practices were bad.

My state has never been accused of lacking progress along socialistic lines. Before I entered the department of insurance it had always been a mystery to me how we escaped a state fund for compensation insurance. From an analysis of this branch of insurance and the manner in which regulation has been enforced it is easy to reach the conclusion that in Wisconsin there is not a single argument for state insurance. Neither do I believe that there will be any serious attempt on the part of the state to enter that field.

It is in the field of Workmen's Compensation Insurance that the mutuals and reciprocals have made their greatest growth. This is the most strictly regulated and supervised form of insurance in Wisconsin. Prior to strict regulation the amount of business done by mutuals was negligible, but under strict regulation and supervision mutual companies are now doing nearly 50 per cent of the Workmen's Compensation Insurance business.

A similar condition exists in Fire Insurance. In 1917 our supervisory powers were enlarged and since that time the volume of business written by mutual companies has increased 250 per cent while the volume of business written by stock companies increased 100 per cent. Much of the growth of mutual insurance in my state can be attributed to strict supervision.

Dividend Control.

I find it more necessary to frequently examine mutuals than stock companies. This is principally due to the fact that the average smaller mutual is not so well managed. This is not a criticism of mutual insurance and it is undoubtedly the result of insufficient funds. The official, in a smaller company, is usually a good solicitor but probably a poor accountant and lacks the ability and funds to properly organize the home office. We also find that the average Secretary, or Attorney-in-fact, is compensated on the volume of business written. Naturally they are interested in building up the volume of premiums and become somewhat careless in the management of the company.

Reports of examinations invariably show that the Minutes of the Annual Meetings record barely a quorum present, hardly sufficient to elect a full set of officers and directors. This brings the control in the hands of the officers in power. Often times regulation and supervision of a company simply mean regulation and supervision of the officials.

To summarize:

Insurance is a fit subject for regulation.

Regulation has made insurance what it is today.

Mutual and reciprocal insurance is in more need of regulation than stock company insurance.

Regulation will build up mutual and reciprocal insurance.

EFFICIENCY OF INSURANCE AGENTS.

By Stacey W. Wade, Insurance Commissioner of North Carolina.

The invitation to meet with and receive the counsel of this body, many of whom are veterans in service, is an honor in itself. To be asked to stand before you as a speaker upon a subject of such wide and growing importance, after a stewardship of less than a year, carries an honor and a responsibility which I can only accept with fearful apprehension, too conscious of my own inefficiency to inspire faith in any conclusion I may have reached. I am also aware that in your store of knowledge and experience there is a bounty of valuable and proven information available on short notice without subjecting any one to the ordeal which embarrasses me.

Your Convention, the great work you have done and are now doing are somewhat familiar to me, though I am entirely new to you. During eleven years service as Deputy Insurance Commissioner I have watched with increasing interest and admiration your efficient co-operation in securing desirable and uniform practices in the various states, accomplishing marvelous, and what at times appeared to be impossible results. Our North Carolina state is very proud of its insurance department, as evidenced by the fact that it supported loyally for twenty-one years Col. J. R. Young, its first Insurance Commissioner, who voluntarily retired, and I am glad to have inherited some of the pride which he took in the accomplishment of that period. Your several states too, I know, feel honored by their efficient departments, though possibly called upon in some sections to respond to more frequent changes in political sentiment. And were it not that the acts of the inefficient, the undisciplined and the indifferent agent are often chalked up against the record of the Insurance Commissioner I feel that we all might register near 100 per cent perfect as administrative departments.

This brings me to the subject assigned me, "Efficiency of Insurance Agents," and in my experience no feature gives the department more concern than the ability and behavior of the agent. His inefficiency has created more perplexing problems for the companies and the department than all the sharp practices resorted to by the outlaw companies and their agents. I trust, therefore, I may be pardoned for emphasizing first the negative side of this subject, or lack of efficiency, since that often presents a problem to the department which calls for patience and tact. We are furnished with a much better opportunity to study the subject from this angle, as it is the inefficient agent whose acts are most frequently called to our attention.

Great changes have been wrought in the insurance world during the last twenty years, not the least of which is the increased efficiency and improved character of agency methods. Yet there appears to be a tendency among many companies to measure efficiency in terms of dollars and cents, to gauge an agent's fitness by the amount of new business he can place on the books of the company, without regard for mortality experience, over insurance, moral hazard, or future litigation. It must be admitted that an agent, no matter how productive, who exposes the company or assured to a possible controversy, and who fails to recognize that his interests are inseparably bound with those of the company, the insured and the state, is really inefficient: that, moreover, he is indirectly a product of the company, that his deficiencies cannot be cured by the insurance department through the agents' qualification law or the filing of questionnaires, but more likely through careful selection and training by the companies and their general agents. Regardless of the text of the law, the burden of securing efficient and upright agents is wholly upon the companies, who through their general and special agents have facilities for investigation not available to the department. They are directly and constantly in contact with him, and are in a much better position to pass upon his record and qualifications than could be done through the filing of questionnaires.

As to the appointment of new agents, without training or experience, I ask permission to quote from a speech I had the pleasure to make before our State Association of Agents in June, 1921, as follows: "The writing of insurance has become a profession and the subject of instruction in our greatest colleges, and as

such should employ trained ability. I know of few occupations as free of fraudulent practices as the insurance business, yet many injustices are done the companies, and some are done the public through lack of fitness and special training of the agent. What other business involving millions of dollars income, and binding the companies under a liability of billions upon billions, would turn its affairs over to employees without special and thorough training in that particular line? Yet this is happening from year to year in the insurance business. Men with no knowledge whatever of the law or methods are selected to write business because they can control special risks. Of course, many have attained that efficiency which comes only from experience, but in attaining it they must have passed through that stage of uncertainty and temptation which is today poisoning the future of many young agents, who with a few months of intensive study would be able to take their places in an honorable profession as efficient units. I believe that the insurance business has attained the magnitude and importance which would justify the maintenance of a special board or school of instruction in each state for the various lines, supported by the companies or agents, or both, for the preparation of candidates who should be required to show suitable proficiency in the elementary and fundamental principles of law and practice, pass a satisfactory examination and be certified to the Insurance Commissioner before granting them a license. You must agree that it is impossible to legislate efficiency or uprightness into any organization or individual; and while our agents' qualification law has been a great help it cannot compare with the united effort of the companies and agents toward correcting the evils which now creep into the business." I am glad to see that a similar view has been expressed by others and I look forward in the hope that it may yet be realized.

A tentative form of agents' qualification law which has been submitted for consideration requires among other conditions an exhaustive investigation by the Insurance Commissioner into the character of the applicant, his knowledge of business and the law. Such an investigation, in order to be of much value, would necessitate an individual or private examination; and this, if conducted by the department, after an agency agreement had already been reached by the company and applicant would doubtless entail expensive delays to both if not cause a reversion of the contract. While a discussion of this feature may be foreign to my subject, its bearing upon the efficiency of agents would seem to justify some reference to it; and while the department should have power to supplement any investigation made it would seem most practicable to place the burden of this investigation upon the company, especially as to character and knowledge of the business, requiring such data to be filed with the department. In reaching this conclusion I have in mind the record of one or two companies doing a large business in our state who make a most thorough investigation of all agents before employing them, and what is more important, rely absolutely upon the result of their own investigation. In each case the record of the company and the agent over a period of years is free from complaint, and shows at every point remarkable efficiency. This leads me to believe that whenever a company is determined to have efficient agents of a type that will dignify the profession it can be done without regard to qualification laws and department requirements, and without this determination on the part of the company qualification laws and questionnaires are fruitless.

The receding wave of prosperity has had a disturbing effect on all business, and especially insurance, calling for a complete readjustment of fire insurance and involving the industrial life companies in innumerable claims of questionable merit, resulting in a heavy lapse ratio among the old line companies, and making it much harder for the agent to secure business. Such conditions are apt to lead the unscrupulous agent into temptation and error. To successfully cope with these problems, requires the skillful direction of the companies and the fullest co-operation of agents with proper training, imbued with the idea that insurance in its last analysis is purely a matter of mutual protection. Without this training and co-operation the prospect of efficiency is obscure.

Success in every line of business is becoming more and more a matter of specialization, and particularly is it true of insurance which the ingenious

calculation of tireless actuaries has applied to every possible contingency. The contractual relation between the company and the insured has become so complex and the protection provided has been so extended that special training and qualifications are essential to the efficient agent, that the interests of the company and applicant may be equally protected.

The desirability of employing part time agents has long been a serious and debatable question. The status of their occupation necessarily makes for inefficiency. They may be placed in three groups, either of which is unfavorable for concentrated effort; first, the student of limited means who undertakes to earn the expenses of an education while acquiring it; second, the employee with insufficient ability in his chosen line to demand an attractive salary, which he tries to supplement by writing insurance; and third, the man who, in order to secure a rebate on his own policy, or commission on some special risk, takes an agency contract without any thought of holding himself out in good faith as an insurance agent. Nothing is successfully done by halves, and the agent who has not enough faith in the insurance business as a profession, to identify himself with it, giving it all his time, stands a poor chance of becoming an efficient agent. Disappointments are common to the insurance canvasser, and only continual rubbing will keep up the mental lustre which radiates from every efficient agent.

It may be claimed that brokers are a law unto themselves, that the agents' qualification law and questionnaires cannot be applied to them effectively, and that they should not be included in this discussion. While it may be true that the treatment should be different, the results aimed at are the same, and the necessity for qualifying them is even greater than in the case of the bona fide agent, whose closer relation with the company and the assured promotes a higher regard for the interests of both.

The laws of my state do not provide for resident brokers representing companies operating in North Carolina, and I may be presuming too much to refer to this phase under the subject assigned me, but the number of non-resident brokers admitted to our state is steadily increasing, while quite a number do not take the trouble to comply with the law before assuming authority to act. Their inefficiency is reflected in the large number of complaints that come to us on account of their work, in their disregard of the law, the rights of the company and the assured. Only recently unlicensed brokers appraised a certain property in our state at \$133,000, insured it for \$120,000 in unlicensed companies, and in less than four months a fire occurred and the same property was appraised for a settlement of the loss at \$23,000. The great disparity between the appraised value at the date of policy and at the time of loss can only indicate that the brokers were mainly interested in commissions to accrue from premiums paid. Their record in our State leads me to believe there is need for closer co-operation among the insurance departments of each state in securing mutual protection against the unscrupulous broker, who is neither interested in upholding the policy and reputation of the companies, safeguarding the interests of the citizen, nor complying with the laws of the state.

The positive side of this subject may in my mind be summed up in a very few words, divided into the following groups:

- First: Strict selection of agents by the companies.
- Second: Thorough and full time application by agents.
- Third: A course of study for new agents.
- Fourth: Co-operation, in upholding the policy of the company and enforcing state laws.

Since I have already touched upon the first three conditions I will only say in closing that co-operation is the fundamental requirement, all others being correlative. The efficient agent will not only emphasize the selling features of his policy, but will also give a clear exposition of all the terms and conditions which might invite a future misunderstanding. He will not only praise his own company, but will hold up any licensed company as a model of justice and fair dealing. He will not only obey the law but will refrain from any word which might reflect upon the integrity of his competitive agent.

Prohibitory measures are at best evidence of individual neglect, while restrictive

laws invite resistance. Proper training should make both unnecessary and in this may lie the key to efficiency. Whatever may have prompted your Executive Committee in calling upon me to discuss the efficiency of insurance agents, you will not, I am sure, expect me to define efficiency in an absolute manner or prescribe for its highest attainment until the golden rule shall be accepted as man's code of action, and righteousness shall animate all our aims.

STATE INSURANCE.

By **Burton Mansfield**, Insurance Commissioner of Connecticut.

In the "Eastern Underwriter" for August 26th last, the genial editor, I fancy, characterized this topic as a pretty stale one for agile minds, and added that there is much on the books that is more pertinent. He contrasts it with "the government's messing up of railroads and ships, and the northwest wheat field states' bungling up of state finances." He also remarked that there is about as much chance for state or government insurance being "ejected" as there is of a certain somewhat prominent citizen, who alleges that the rubber-stamp is too freely used by those who are charged with the duty and responsibility of supervising insurance and insurance companies, becoming president. State insurance has the advantage in any such contests as far as a nomination is concerned, for it was nominated long ago, but I am not at all certain that in the present attitude of mind on insurance matters which the press in general has helped to create, the above mentioned citizen would not run fairly well on a people's ticket.

In the "Weekly Underwriter" for August 20th last is an article crowded to the limit with what are given as statements of fact showing in spite of the abandonment of state ownership of many industries in Russia, the propaganda in behalf of state ownership in many other countries is still strong and that state insurance in many places is still very much alive. While these articles differ somewhat in their conclusions as to the present importance and activity of state insurance, I am quite willing to admit that the subject is a reasonably old one; but in my estimation the principles underlying it are older still. The question of government ownership of business and industries in general is the real main issue and insurance is only one of the many channels through which it seeks to flow. From this larger point of view state insurance is a subject so full of possibilities—yet to be met and solved—that it will be a fruitful topic for consideration and discussion for many years to come, in spite of its staleness and in spite and possibly because of its failures.

Workmen's Compensation.

At the session of the Connecticut Legislature, which met in January last, a bill was introduced establishing a monopolistic state fund in connection with the Workmen's Compensation Act in that state. It was heard by the appropriate committee before whom the advocate of the bill alone appeared. No one opposed him or his measure before the committee, but the bill was reported adversely, and the report was accepted. This incident is the real cause of my attempt at this time to say something on state insurance.

Ten years ago I was one of a commission to frame a workmen's compensation act for Connecticut. At that time fifteen states had laws upon their statuts books bearing on this subject. Today at least forty-five have such laws. Speaking generally, here are four distinct ways or methods in which these laws are enforced. They are:

1. By an exclusive state fund, such as the one which is found in Washington and Oregon.
2. By a competitive state fund such as the one which is found in New York, Maryland, Pennsylvania, Michigan, California and some other states.
3. By private insurance companies, either stock or mutual, operating either in competition or alone, a system permitted in most of the states.
4. By employers carrying their own insurance.

No two compensation laws are alike, although similar in their main features.

It is an interesting question how the name "State Insurance" has come to be applied so largely to workmen's compensation insurance. It may be because this particular form of insurance has been the creature of statute law, and its administration has been placed in the hands of state commissions or boards and the public are thus brought into contact with and knowledge of it more closely than with other forms of insurance, and that these boards and commissions are not only the creatures and officials of the state, but receive their remuneration from that source also.

Various attempts have been made to extend state insurance, so-called, to old age pensions, mothers' pensions, unemployment and invalidity, with some success, but thus far this has been done to no great extent in this country. Even where these various forms of insurance have been inaugurated, they form, after all, in the opinion of those calculated to judge, only different ways of administering poor relief, which it has been long the province of the state to administer. Unemployment insurance, however, owing to the present industrial conditions, may yet be resorted to in this country as it has already been resorted to noticeably in England, where the state has become an actual contributor to the funds used in its administration.

Our states are not rushing into the maelstrom of state insurance very rapidly, however. State after state, after careful investigation, has declined to adopt the state fund policy and in some cases where it does exist, experts have declared that the management is inefficient and inadequate, with either no or little supervision; financially weak, and as a practical workable institution, imperfect and dilatory. According to the latest information at my disposal, eight states operate a state fund exclusively in connection with workmen's compensation, while nine permit it in competition with other systems; thirty-one allow the operation of private companies, with or without competitive state funds, though generally without, while thirty-one states also allow the plan of self-insurance.

As to the method of compensation insurance adopted, employers generally prefer the private company method, while employees are not in accord as to their preferences; and incidentally it may be stated that during the underwriting of marine and war risks by the federal government, it was found that merchants and ship-owners preferred the private markets, owing to the more elastic conditions granted and the absence of the red tape inevitable in the conduct of government operations.*

Real State Insurance.

While there are in the United States a few instances of state insurance in a more or less modified form, as a matter of fact, speaking broadly and generally, there is no such thing as state insurance in the proper use of that term. Real state insurance as Ex-Superintendent Hotchkiss has well said, means "Shall insurance be written by the state, itself?" Shall it be adopted in reality? Shall the state actively engage in the insurance business? Shall it confine itself to one or a few branches or shall it extend its operation to all?

Outside of the Massachusetts savings bank life insurance plan, which to a certain degree is state insurance, the Wisconsin fiasco, and a few sporadic attempts elsewhere it has received little encouragement in this country. This does not mean that there are not other examples of state insurance well known in the insurance world, such as life insurance in Italy, insurance in many forms in New Zealand (though not as a monopoly), and in various forms in Denmark, Norway, Germany, France and other countries which might be mentioned.

By and large, however, states and governments are not providing funds with which to meet losses which may occur under the various kinds of insurance.

This would be the true sample of state insurance. They are thus far content to manage funds created out of contributions which private parties make. They thus present further evidence of that control by the state already advanced quite far enough for its own good, the good of the people or of the business interests affected by it, and which unless it be checked, means the actual conduct of insurance and of affairs in general in the long run.

*Maine Insurance p. 280, by William D. Winter.

The arguments for state insurance are summed up as follows, and here I make no distinction between real state insurance and state managed insurance, and state regulated insurance, and I would almost say, state supervised insurance.

It is claimed that if the state engaged in the insurance business, economy of administration would be promoted; thrift would be encouraged; the public would be better served, and in case of social insurance, so-called, industrial injustice would be mitigated, contentment increased, pauperism diminished, and generally men would be elevated to a higher and nobler conception of themselves and their faculties. It seems to me, however, that there is very little in all this which is worthy of consideration. I can see little in it for the general welfare. Industrial injustice will be mitigated, contentment promoted, pauperism diminished, higher ideals attained, not when the state owns and manages insurance and other vital concerns, but when men realize that there is something in life beyond the making of money; when the interests of one are regarded with no more concern than the interests of all; when we realize that the law of God, and not the law of man, is recognized as the compelling force.

Some of the arguments against state insurance are that it is un-American; promotes socialism; hampers individualism; is practically impossible under a government of forty-eight different states, whose ideas and methods as to insurance and the other affairs of life differ so radically; that delays in settlement of even just claims are inevitable; that politics would control its management, and that the state as a whole is not adapted to do this sort of thing.

With some of these objections I sympathize; with others, however, I have no sympathy. I believe as far as insurance is concerned that under our system of forty-eight state governments it would not work advantageously. I am confident that on the whole it is not as beneficial to those concerned as the system of private companies, and I believe that politics would more or less control its management and prevent its successful operation, and this is true of all affairs and is not confined to insurance.

If state ownership as a general proposition means socialism I cannot give it my support. On the other hand when we assail state ownership by reason of its being un-American and hampering the constitutional liberty of the citizen I am not always convinced.

I realize that we are exposed to many and great dangers by reason of many strange ideas and theories of government which are being introduced into this country by people who are unfamiliar with our form of government, and the principles on which it is founded. Different races, languages, and customs have been brought to us by the many thousands, who have entered our gates, and they are strongly influencing our national life, our laws and our institutions, sometimes for good, generally for bad. They are to a large degree un-American and are not to be favorably entertained. We do not have to import these foreign influences, however, to find out how constantly and quietly our whole system of government is undergoing great changes, and that what was American half a century ago has given way to methods quite different—methods clearly not American then, but quite American now, I anticipate.

The old theory of personal liberty has gradually yielded to governmental control, management and ownership. We have long since passed the test of whether this industry or that is monopolistic or whether it is impressed with a public interest. The test now is, are the people so interested and so benefited that the solution is governmental interference. The federal government directs the development of agriculture, regulates public health, builds highways, runs railroads, controls water-ways, does a banking business, and extends its national oversight to many other affairs minutely and in great detail. Even now in a bill pending before the present Congress, it is proposed to place the operation of the coal industry within her domain. Business of nearly every kind and character is subject to her regulation and control. In a hundred ways she has encroached upon the police power of the several states and the rights of the individual citizen under the plea that she can free us from all our ills. Hundreds of industries neither monopolistic nor impressed with a public interest have been drawn into

the meshes of government control and management which in the last analysis mean state ownership. The states which at first exercised in a multitude of ways, under the operation of their police power, this control and management, have yielded that power to the federal government. This has been done by mutual consent and quiet acquiescence. The states have yielded their independence in manifold ways, and the national government has assumed control.

We sit quietly by and see all this done with little consideration and less remonstrance. We have seen this accomplished recently in a new amendment to our constitution, which not only robbed us of our liberty, but smothered under its broad mantle any idea of state rights and state independence, which were once considered real American, and in many cases ought to be so considered now.

It is contended that the system of state insurance is un-American in that it restricts our freedom, and is an attack upon our personal liberties; that government should confine itself to the function of governing, leaving the individual free to exercise his liberty; but is this an answer, in spite of what I have said, if really better service can be procured, and the welfare of the people be enhanced advantageously otherwise? From time when the memory of man runneth not to the contrary, private rights have been yielding to public rights, when the general good so demanded.

Some Other Remedy Needed.

In the report of the State Commission to the Connecticut Legislature, to which I have already alluded, the Commission said:

"Humanity would seem to demand that some provision should be made for the results of accidents under industrial conditions as they now (1913) exist."

These conditions have not changed, at least their force has not been ameliorated. For one, I have sometimes thought that strong reasons existed for extending the benefits of the workmen's compensation act to other forms of aid. Humanity still calls.

I do not believe in socialism as I have already said; I am not an adherent of state insurance. If, however, what I am about to say is socialism, then I must be so classed.

In 1914 an Ex-Superintendent of Insurance of Ohio, Mr. Vorys, in a very able address delivered in Cincinnati, said:

"Man's life is in relation with others, and the right to liberty must be qualified as 'the freedom to do all one wills, provided he does not infringe upon the equal freedom of any other person.' If it were not so limited, individual liberty would be the prerogative of the strong, and slavery the heritage of the weak.' This is not a new limitation on the right to personal freedom. 'Do unto others as you would that they should do unto you' was a maxim long before the Declaration of Independence. How natural then the dream of the ultimate fulfillment of man's destiny when the Spirit of God shall inspire all relations of mankind to each other. Such a Utopia seems centuries beyond. Perhaps we are nearer to it than we dream."

In 1919, Mr. Edward D. Duffield, Vice-President and Associate General Counsel of the Prudential Insurance Company, in an address before the Association of Life Insurance Presidents—a God-fearing and a man-loving address, said:

"If the dangers anticipated by the fathers (the framers of our Declaration of Independence and of our Constitution), are to be avoided, there must be a regeneration of Americans. It must consist in a clear recognition of the fact that the first duty of each individual citizen is not to himself, nor to any organization of which he may be a member, nor to any class in which his lot may fall, but to the Commonwealth itself. As this Government was framed for the purpose of protecting the rights of its individual citizens by preventing the invasion of those rights by

others, so we as individual citizens must recognize today that the claims of the whole are always greater than the claim of any part. A realization of this doctrine would go far to cure most of the present day ills."

We have hitherto held two alternatives before our eyes as far apart as the poles and as opposed as two contending armies. They are the extreme of socialism, with its impossible aspirations on the one hand, and extreme individualism on the other, with its aspirations altogether too frequently attained. Socialism is impracticable and undesirable. Extreme individualism as we see it exemplified in many instances is equally undesirable. Accumulations of great wealth, either by individuals or corporations, and the power that goes with them are bad for the nation, bad for the people; threaten our future, our prosperity and our happiness unless they be governed by the right motives and used in the right spirit. Their evil influences cannot be counteracted by "foundations" or "institutes"; by the creation and maintenances of great libraries or great museums. We must realize that all wealth is given us as trustees for the common good. We must find a common level where all humanity can meet; where the rights of an individual yield to the common rights of all; where the welfare of all is paramount to the rights of any one individual; where the needs of my fellowmen are of equal or greater importance to me than my own needs. To this end we need "no appeal to a misty state, whose ownership relieves of pressure and stifles initiative" as some one has well said; nor need there be any attack on private property as such, for property may be so used that its strength and power will be clearly shown and emphasized.*

Human life must not be measured in terms of a debasing commercialism; in dollars and cents; in the products which it can turn out day by day, but in terms of a common spiritual citizenship, where the souls of men are of more account than the labor of their hands, and the hearts of all men beat in rhythmic unison. Suppose a hundred thousand men in this land should tomorrow promulgate as their rule of conduct the so-called Golden Rule, and try with all their heart and soul to put that rule into practice. Do you think that nothing would come of such an effort? Already, I am told by those who know, that men of all sorts and conditions are seeking a practical application of this rule. Men with differences, either real or imagined, are already seeking to solve their problems about a common table. Only a few days ago I read in the "New York Times" how Great Britain was seeking to rebuild her social and economic fabric on a broader and surer foundation by submitting the various questions of difficulty to representative bodies of both employers and employees, gathered together at a common table and without the intervention of government.

Here is where all this discussion has a close relation to state insurance, for it makes little difference whether it be state insurance or an association between the state and some other industry or business, the fundamental principles are the same. The state should be eliminated, and possibly by the application of some of the principles of humanity which God has implanted within us all, we might come to realize that state control, state management, or state supervision even, was less essential to our common good than most of us imagine, whether it be applied to insurance or to any other vital concern in our economic or industrial life.

LICENSING PUBLIC CLAIM ADJUSTERS.

By Thomas B. Donaldson, Insurance Commissioner of Pennsylvania.

It would be well to define the term "public adjuster." He is one who invariably represents the insured. A company adjuster is a salaried man exclusively serving the companies. Company adjusters may be bureau employees or may work directly from home or branch offices. An independent adjuster is one who invariably serves the companies. In rare instances he may adjust for the insured.

This paper is predicated upon a new Pennsylvania law, effective 1921, requiring

*New Republic, Sept. 7, 1921.

public adjusters of losses or claims arising out of policies of insurance, surety or indemnity to qualify for annual license. The law does not, in direct language, deny a license to any person engaged in the salvage business, or one engaged as agent or broker. But, such was our intent. The law provides that an agent or broker may, without being paid, adjust a loss on a risk written by him without pay. Nothing is said as to salvage. I have refused to issue an adjuster's license to a brokerage house, and a test suit is now in court. I may be defeated in court. But there will be other sessions of our legislature. The vast majority of brokers and agents—men whom you and I respect, and who keep the business clean—agree absolutely that if adjusting is a business it is a business of itself, and there should be no merging of adjusting, salvaging and placing of risks. The home offices are absolutely in accord with this viewpoint.

Attached to this paper, as an addendum, is a complete copy of our Pennsylvania law. There is, of course, room for improvement in the text. Briefly, the bedrock of the law, which fixes individual responsibility, is in Section 3 and Section 6. Note the words "trustworthy" and "untrustworthy." Section 3. "The Insurance Commissioner shall issue adjusters' licenses to persons, partnerships, associations or corporations applying therefor whom he deems to be trustworthy and competent to transact business as public adjusters in such manner as to safeguard the interests of the public." Section 6 permits of revocation of license if the holder has, among other things, been guilty of fraudulent practices or has demonstrated his "incompetency or untrustworthiness to transact the business of public adjuster." No department could ask a greater leeway than these two sections afford.

While on this subject, I want to offer the text of a new Fraud section in our Code. I consider it a very nifty little thing. It is what we needed—and all states need it. Here it is: "Fraud in procuring insurance or in collecting claims (a) any person who is knowingly concerned in or who for profit, gain, benefit, favor or otherwise makes any false oral statement, misrepresents, substitutes persons or realty or goods, subscribes to or prepares or helps to prepare any fraudulent letter, document, application, affidavit, inventory financial or other statement or in any method or manner attempts to deceive for the purpose of obtaining for himself, herself or others any of the classes of insurance provided for by this act and (b) any person knowingly concerned for profit, gain, benefit, favor or otherwise in preparing or forwarding any fraudulent application, affidavit, proof of loss or claim or attempting to collect or collecting any wholly or partly fraudulent claim or money demand from any insurance company, association or exchange lawfully transacting business within this Commonwealth whether any policy or agreement of insurance was lawfully procured or procured by fraud shall be guilty of a misdemeanor and upon conviction shall be sentenced to undergo imprisonment for not more than one year or less than six months and in addition to pay a fine not exceeding five hundred dollars (\$500.00) or less than one hundred dollars (\$100.00). The provisions of this section shall apply whether or not insurance was actually in force and whether or not the offending person or persons received profit, gain, benefit or favor from the attempt to defraud or from the consummation of the fraud."

Through the individual and most commendable activities of R. R. Dearden, Jr., of "The United States Review," an insurance journal published in Philadelphia, I first was advised of untoward conditions in Philadelphia, arising out of activities of certain fire loss adjusters. Mr. Dearden has braved and discouraged libel suits by repeatedly attacking the work of certain public adjusters of fire losses in Philadelphia. He was playing a lone hand and had no help. He was attacking the General Adjustment Bureau for retaining within its ranks men who were, as he stated, patently under influence of certain public adjusters of fire loss claims. The result was a "shoving through" of adjustments handled by certain public adjusters who openly boasted: "We are the General Adjustment Bureau." It seems that they were! Certainly due to a large extent to Mr. Dearden's attacks in his journal, the National Board called for the services of the estimable William C. Greer, who came to Philadelphia and slowly and surely proceeded to clean out the Bureau. There were many shiftings. Within four months after Mr. Greer's arrival, and the advent of Bureau men from other cities,

the public adjusters found themselves halted in speedy collection of questionable claims; and it has been a serious financial set back. You see, public adjusters in my city have been financing their clients. That is to say, if John Burnem had a "loss of convenience" and his creditors were coming down on him, he needed ready cash—pending collection of loss moneys—to avoid bankruptcy. The public adjuster with cash resources of course "nailed" the loss—at fee of 10 per cent—and proffered moneys for first aid to the needy. The Desert of Sahara, historically dry, has nothing on the public adjusters' plight since June, 1921, in Philadelphia.

In my opinion the change of administration in our local General Adjustment Bureau, since June 1, 1921, has saved the companies \$200,000 at the very least. With possible exception of adjustments by one, or not more than two, public adjusters' offices, the claims have been scaled down 75 to 25 per cent below amounts originally asked. In 1920 adjustments went through the Bureau—if certain favorites were "on"—so speedily that I am advised that detailed schedules were lacking in scores of proofs. Merely stated as follows: "Lot No. 1, \$1,452.60, and Lot No. 2, \$981.74." Why bother when friends are at court

I know of one public adjuster in Pennsylvania—he resides neither in Pittsburgh nor Philadelphia—who has the absolute confidence of every home office. I know two of the younger element who have twice assured me, after full talks, that they handle no loss open to suspicion, and stand for no "out of sight" items unless their client can prove his word. I want to believe them, and I do believe them, but I frankly warned them that they were in a dangerous game and apt to meet clients who would double-cross them and indictments might follow. They are two likeable young men and I'd prefer to see them in another business. Two adjusters in my city are ex-convicts and there is no proof before me of their reformation. Others have never been prosecuted. Just why, I do not know.

My investigations have been confined to Philadelphia and nearby cities and solely as to fire loss adjustments. How many public adjusters of fire, casualty or surety claims there are in Pennsylvania is beyond any living man to tell. Due to long delay—a printers' strike—in printing our new statutes few have been made aware of the new licensure law for adjusters, if scarcity of applications for license is a barometer. It is possible that many do not classify themselves public adjusters. We prepared a questionnaire which is fairly encompassing, and we asked, in the final question, for a statement of ten losses recently adjusted by the applicant where settlements were over \$1,000. Two applicants, whose work has been questioned for a long time, showed their brazenness when they referred to their adjustment of certain losses which are notorious in the annals of fire losses. But, it suits me perfectly. I am going to examine those two men—no matter how many hours it requires—as to exactly how they adjusted those losses.

Here is a bit of light Summer reading, but not fiction. It is a record of the fire losses in Philadelphia, years 1918, 1919 and 1920. In the last mentioned year some public adjusters, who seemed to have deskroom and blood kinship with the local General Adjustment Bureau, were most active. Compare the loss figures of 1918 and 1919 with the "big-killing" opportunity year for the public adjusters.

Aggregate of Philadelphia Fires; Building and Contents.

Year	Fires	Insurance	Loss
1918	4,670	\$117,220,800	\$3,911,350
1919	4,268	102,658,600	3,918,345
1920	4,955	92,273,000	8,081,086

Percentage of loss to insurance in force: 1918, 3.33 per cent; 1919, 3.55 per cent; 1920, 8.70 per cent.

Average Per Fire.

1918	\$ 837.00
1919	919.00
1920	1,630.00

It looks like mere chance, doesn't it? Just an "off year." Well, it was "off" for the companies, and "on" for the adjusters!

In my investigations I had reason to be somewhat bewildered on more than one occasion. The first was, and is, the impossibility of proving to men of ordinary intelligence that a certain man is crooked. Reasoning it out, from my own standpoint, it is due to the fatal American trait—refusal to think. Again, to another fatal American trait—disinclination to do anything but routine work, and very little of that, in most cases. Place before the average American any issue which requires sound thinking, and he'll usually mutter: "Oh, hell! The idea is crazy. I'm going to the movies." Frequently he plays golf. The most staggering thing was the home office executives' disinterest in the one thing they are in business for—fires! All they know is: "It is a bad year; very bad." Not one blessed thing have the top-men done to ascertain if crookedness made it a bad year and if so PREVENT IT! It CAN be prevented! I have real affection for home office men who have played cleanly and lived honorable business lives—you can point to but few who have not—and yet, with no zeal, with no nerve and entire lackadaisical attitude they have dozed along waiting for the National Board, or some outsider, to take action. The National Board's investigators are sincere, honest and capable men, but they must cope with local conditions; and in my city they admit they have never been against a worse game of corruption which goes unrebuked by local authorities. That is why I stepped in; and I certainly am not going to be smothered.

At times an irate company adjuster would come to see me and present staggering facts. But prosecution of offenders was not begun by the companies. As an experiment I asked our domestic stock fire companies to answer some questions. I found, as I stated before, that they were, in the main, "guessing" about the foundation of their business—fires. Many of them used the General Adjustment Bureau; and to my query as to how quickly the Bureau adjusters "got on" a loss the answers showed no real knowledge whatsoever, but a statement that they were "expected" to get on the loss quickly. A brief investigation would have disclosed that until June 1, 1921, or thereabouts, the Bureau's men did NOT get on the loss quickly, and there is no particular speed at this time. Another answer was: "It is very rare that we place a watchman on the premises." Of course not. Fires aren't important. Oh, no! That is where the public adjuster intrudes his gentle hooks. One of them openly advised a home office: "The damage is done after the fire." He knows! And as to photographs: "We seldom photograph a loss." Of course not! All that a camera is for is seaside snapshots. Every loss should be photographed from all angles immediately after the blaze subsides, and a chemist should inspect and a civil engineer should survey every loss. Then, the origin of fires will be made KNOWN! Here is something which is relevant. The companies patronize, and quite properly, the Underwriters' Salvage Company. It may interest you to know that the Philadelphia branch has JUST BEGUN TO GET SOME BUSINESS. Until the local Bureau was cleaned out it appears that there were "few calls" for the Salvage Company to go to a loss. Why? Well, some Bureau employees were good old friends of one prominent salvage king who claims to be a public adjuster, and has certainly been radio-active. Another answer: "We are always suspicious of claims presented by public adjusters." Oh yes; fine! But what was done to see that public adjusters were halted? Nothing! Our department made the first move, though entirely for the purpose of giving some dignity, by a licensure law, to the adjusting business and with ultimate hope of having all adjusters made court officers or by some arrangement recognize them as neutral and responsible people. It never for an instant occurred to our department that conditions were so bad!! As a matter of fact, though "suspicious" of public adjusters' claims our home offices had been paying scores of losses on figures faked and fixed solely by public adjusters and O. K'd. by the Bureau—until reorganization was effected.

All of the home offices were strongly emphatic on the point that no broker or agent should be countenanced who "threw" losses to public adjusters and who shared in adjustment fees. Our companies are accepting business from scores of agents and brokers who are now doing that very thing. And the companies

stated that practically all suspicious losses were those of foreign insured; and that public adjusters were "on" losses which were practically all foreigners' losses. They all agreed that the public adjuster was unnecessary; that "memory statements" constituted a large portion of all claims presented by public adjusters. I was glad to have my viewpoints upheld and glad to learn that I was not alone in my suspicions.

The insurance business is the business of home offices. Ninety per cent of the game is the home office game; yet there is no sound co-ordination between home offices and blessed little personal official contact, and no concerted action unless some one takes a "wallop" in the public press, at the "vicious insurance monopolists." I have come upon a serpentine trail; from fire losses to every conceivable channel of corruption, all of which indicates that the great American public's game isn't baseball. It is cheating. You recall the fiasco in Chicago? Acquittal of men who without doubt corrupted baseball.

The average American doesn't distinguish between brains and audacity. When a sharp commercial trick is worked the public press extol it in large headlines. But, it is extolling cheating! You know it and I know it! Why condone it? Why deal with the cheater? The American public execrate insurance companies on any and all occasions, particularly in civil trials where insurance companies are defendants. And that brings me to a condition directly due, in my mind, to lassitude of home offices. Circumstantial evidence is a dangerous factor where a man's life is at stake—by hanging or electrocution—but it is practically the sole basis for prosecution in an arson case. Scan the fire records in any community and note the firemen and others injured and killed in fires. And, note the "unknown" origin of fires and "suspicious" origin of fires. Constructive evidence, the carefully worked out series of facts to show that a fire HAD to occur, and odd events showing the presence of owners at an unseemly hour, just prior to the outbreak of fire, all these would—if the sentiment were constantly hammered home year after year, by public press and insurance journals and the general public, and on the basis that fires mean destruction of human life which can never be replaced—gradually break down the tenuous lines of uncertainty in arson trials and give benefit of doubt to the prosecution. The worst plight an honest man is ever in, is when he faces a crook's attorney on the witness stand; and a crook on the stand simply revels in tongue-twisting. You can hear more lies in a court of record in one hour than you ever heard on the street in your lifetime. Home office executives dodge a study of fire losses and the cycle of corruption incident upon them because it requires work and thinking, and it is distasteful. But a man is salaried for doing disagreeable and unusual things. Any fool can get along with an easy proposition; and easy propositions never entail progress or achievement. The greatest need in the game of life is courage. It is the finest and rarest of all human attributes; and with loyalty added to courage you have a combination which defeated Germany.

To conclude this section of the paper, I'll state it as an inviolable rule that no honest man needs to pay 10 per cent of his claim to a public adjuster and no honest man can afford to pay a public adjuster 10 per cent or any percentage.

The Remedy.

First; subject the public adjuster to a thorough oral and written examination. You may ask me what the extent of it should be? Well, is there any limit to that which a public adjuster claims he knows? Doesn't he tell the insured that he alone knows how to make a company "come across," and except for him no losses would ever be paid! Isn't he posing as an expert on policy conditions, forms, law, the price of beans and sealskin and plateglass and cost and condition of millions of "out of sight" items? Isn't he going to prove to the companies that \$3,000 of stuff which he never saw before the fire, and couldn't find after the fire, is worth every cent the insured cannot prove he paid for it? Isn't he going to show the value of goods which he never saw because they were never owned by the insured and never in the shop, for the reason that the insured had no credit and was afraid to commit burglary to replenish his stock? What are you going to examine him on? Isn't he a miracle man? Ask him to explain

his miracles! Send for loss department men from five home offices, and ask them to give you proofs of loss submitted by public adjusters, and ask them to send you ONLY those which are irregular. Naturally, they'll send you about nine out of ten of all public adjusters' proofs in their files. If not, the companies had better hire adjusters who are awake. Look over those proofs carefully. Assemble your common sense and your nerve, then ask the adjuster how, when and where he adjusted such-and-such a loss. Take him over item by item. Within fifteen minutes you'll have him backsliding, dodging, "trimming" and trying to "pin" his own evasions on his clerks or the insured. Finally he may admit: "Well — er — I didn't compile all that——!" And then you'll naturally inquire: "Well what did you do? You charged a fee for it? If you didn't adjust, what did you take a fee for?" This isn't romance and tremens. This is what came out of my examinations; and I'll have it all summarized in the near future. Be sure to go over the "Memorized statement" items. Oh rare, rare memory! I never knew how markedly the memory of some of our present generation was improving until I saw a batch of public adjusters' proofs of loss. Wonderful! Marvelous! One insured, whom I recall, kept no books. Certainly not! Why keep books? It is a nuisance to change them all the time, and they might be used against you at any instant! But, he had evidence of valuable stock by purchase-bills, some of them dating back to the time Napoleon was shipped to Blackwell's Island. (I may be wrong in my geography, but it was somebody's island, and the Emperor complained about it.) Take any loss where \$8,000 was claimed, and \$4,000 finally accepted, and ask the public adjuster "If the insured was entitled to \$8,000 why did you accept \$4,000?" Why? You have him right there! He can't explain. And, remember the word "trustworthy."

You will not need to rest your attack on one proof of loss. You will find offense after offense, and the companies irate but too often flat on their backs with inertia. It was Mark Twain who said, "There has been a great, great deal said about the weather, but very little has ever been done."

Of course, if you have no statute in your state providing for the licensing of public adjusters, my talk is futile because it is impossible to think that such a law could ever be passed in your state. Some day I hope you may have electricity and automobiles and washing machines and wireless telegraph.

Second; a little campaign in morals to discover—as you eventually will—the agents and brokers who are fee-splitting with and "throwing losses" to public adjusters. This goes further. Insist upon learning, from the companies, the agents and brokers who cover lines where losses are acute and many with a foreign element predominating. It will go even deeper; to ascertaining some day that the gentle agent or broker may be indulgent with a merchant and with an adjuster and procures for the merchant some additional insurance which "results" in a speedy fire. Some agents and brokers in my state are apt to have a very disagreeable awakening in the next few months. The words "worthy of a license," in our agents' and brokers' license law, are elastic enough to mean anything savoring of honesty. A man whose license is cancelled and who appeals cannot always defeat you in court if you are aiming to guard the moral side of things.

I have found it absolutely necessary to compel companies, in some instances, to cease doing business with brokers and agents of unsavory reputation. The loss of \$100 premium usually means apoplexy in a home office, though a \$1,500 fire loss doesn't worry them on a premium income of \$100, less commission.

Third: something with a reverse English. It is the self-prodding of an insurance department to a realization that the department's mission is to encourage and advance insurance by aggression, not to discourage by small-vision "don'ts."

Since the time I first came with the Pennsylvania Department—in August, 1911—I have seen the fighting spirit of many home offices gradually broken and co-operation between home offices discouraged by two causes—advanced age of executives and the result of "nagging" and attacking successful companies by some Insurance Commissioners and the public press. Again, the crotchets of our 48 states, requirements changing over night, uncertainty of departments, "information requested" on every conceivable channel pertaining only to insurance

within state lines, all this has kept the executive's nose to a desk trying to keep courage in his office working staff for fear of a department's rebuke. That same courage and energy is needed out-of-doors, where the fires take place and where miscreants are active. For my own part, I don't care a rap how much money a fire insurance company makes, so long as it pays its losses and gives the American public the coverage it is entitled to. The American public is never going to get the coverage it is entitled to unless the carriers have large surpluses. The Englishmen "lift" from us annually hundreds of millions of premiums which should remain at home, and too often because our American companies require re-insurance facilities which we do not have. Public diatribes, too often contributed by smeltbrained candidates for political honors, against "That great octopus, the fire insurance trust!" have discouraged capital from the fire insurance game. Our archives show that hundreds of fire companies retired or went into receivers' hands, which is an evidence that mighty few ever make profits. It is the mission of insurance departments to encourage the successful, aid the weak, and to put the fear of indictments into the hearts of devastators of companies' assets or defamers of companies' reputations. I have spent three months of long hours, in one of the most frightfully hot summers we ever had, gathering facts to determine whether public adjusters of fire claims are useful or a menace. I offer, and absolutely impersonally, that the campaign of investigation waged in my city, and now continuing, was given its real impetus solely for the reason that I, in an official capacity, encouraged and participated. There wasn't a home office that had courage to do anything, or expected a result, had it elected to start an investigation. When I, representing the insurance department, told the companies what I was obligated to do and asked their aid—which I obtained—I was shocked to see the helpless attitudes of the executives or our carriers. Between honorable old age in many instances, and a battered-to-the-defensive atmosphere, it was appalling to see how much they wanted to accomplish and yet despaired, of their own initiative, to try to correct an evil. I revere and respect all of them. Home office men are the kindest and most considerate of all people. To me officially and personally they have been more than indulgent. I want to help them and I am helping them. It is, in my opinion, the obligation of every Insurance Commissioner or Superintendent of this country to put fighting spirit into every home office for detection and for prevention of crime. Crime is a business. It isn't a matter to be cleaned up for once and all. It is as omnipresent as decency. Right and Wrong are the same forces moving in opposite directions. Crime comes today and tomorrow as it came in the past. The retiring generation has learned, has been punished and is cautious. The new generation repeats the tricks of the old criminals. If you want results, if you want facts, the way to apprehend the male factor is to play the game even "dirtier" than he plays it. I can show you how.

Fourth; nothing whatsoever but providing the very thing which home offices should have provided years ago. Had they done so they would have had the public, the financial institutions and the Federal government on a friendly basis and endorsing them to the limit. I have lately written my suggestions to the National Board; and I would like nothing better than to have funds without limit placed in my hands for an experiment of three months.

I would organize a fire insurance patrol which actually patrolled, and I would combine with it a salvage squad and a pick-and-shovel brigade. There would be night and day service; immediate "getting on" and "remaining on" any loss of size; immediate clearing away of debris; removal of all goods to a spacious warehouse; arrangements for immediate rehabilitation of partly damaged goods. The honest business man who suffers a loss needs immediate help. His troubles are manifold. The companies' troubles are 1 per cent of his. Every loss should be followed; the large losses immediately; the smaller losses within a few hours after the occurrence; and photographs should be taken of every loss, whether a million dollars be at stake or \$100 at stake in a fake loss in a dwelling. And civil engineers and chemists should be used. And, statements of eye witnesses, or near witnesses, should be carefully written down; and a record kept of the "repeaters"—those who have frequent fires—and the companies advised to deny them coverage. A special patrol, with an auto fleet, immediately "on the job"

would absolutely drive the public adjuster out of business. It would drive the arson man out of business for the basic reason that the greater the care required in "planting" a fire, the fewer the attempts and the greater chance of apprehending the professional. Further, evidence gotten during a fire, and directly after a fire—not weeks after a fire—will finally win its place as evidence first hand, though circumstantial. If you cannot prove the impossible, you can establish something almost possible; and if the defendant's previous record is bad he will stand small chance of acquittal. Keep in mind that the number of actual criminals is small; very small indeed. One bad man's deeds have a far reaching effect, but if you apprehend him—and his aides and abettors—you accomplish much. In fact, a trial without conviction accomplishes much because defences cost money.

The time is not ripe for me to present, here, all that I desire to present. Eventually, I shall submit to the Commissioners many things of interest, and between sessions if need be.

I want to make certain that my opinion of the public adjusters in my city—not referring to the exception—is clear in your minds. If any man came to me and asked my advice, saying that he contemplated becoming a public adjuster of fire claims, I would say to him, "You have a very small chance of remaining honest. You have every possible chance of becoming a trimmer, trickster, liar, perjurer and briber. Eventually you are almost certain to be indicted." I have put this in mild language.

In conclusion, gentlemen: I am determined during my short official career, to advance the interests of insurance throughout this country. It is a great business where decency is necessary more so than in any line of business, save perhaps banking. It is a business wherein the home office of hightype will set the moral pace for all other home offices and the entire game of insurance and gradually wean the American public from the attitude of sullen vindictiveness to one of encouragement and admiration. For that reason, and in connection with Pennsylvania fires and loss adjustments, I am going through the most degrading experience I ever went through, where day after day, in a cycle of corruption, every man seems to have his price. And, a price as low as five dollars or a box of cheap cigars, incident upon preparation for or the aftermath of a fire which may cost or will cost human lives. It seems to me that my oath of office made it incumbent upon me to take the initiative when others refrained. I have had ten agonizing years of it, yet while in harness the work must go on. You may or may not be interested in the resume. But if you are interested and if a house-cleaning on these same issues is necessary in your community, please feel free to ask my suggestions and aid.

No. 136.

AN ACT.

Requiring persons, partnerships, associations, or corporations advertising for or soliciting business as adjusters of claims within this Commonwealth for loss or damage arising out of policies of insurance, surety, or indemnity on property, persons, or insurable business interests within this Commonwealth, to be licensed by the Insurance Commissioner.

Section 1. Be it enacted, &c., That the term, "public adjuster," as used in this act, shall include every person, copartnership, association, and corporation advertising, soliciting business, or holding himself or itself out to the public, as an adjuster of claims for losses or damages arising out of policies of insurance, surety, or indemnity upon property, persons, or insurable business interests within this Commonwealth, and receiving any compensation or reward for the giving of advice or assistance to the assured, in the adjustment of claims for such losses, or who for compensation or reward, whether by way of salary or commission or otherwise, directly or indirectly, solicit business, investigate or adjust losses, or advise the assured with reference to claims for losses, on behalf of any other person, partnership, association, or corporation engaged in the business of adjusting losses.

The term does not include an agent or employe of an insurance company, association, or exchange, through whom a policy of insurance was written, in adjusting loss or damage under such policy, nor does it include a broker or agent acting as adjuster if the services of the agent or broker in the adjustment are without compensation.

Section 2. No person, partnership, association, or corporation shall directly or indirectly act within this Commonwealth as public adjuster without first procuring from the Insurance Commissioner a license as public adjuster.

Section 3. The Insurance Commissioner shall issue adjusters' licenses to persons, partnerships, associations, or corporations applying therefor whom he deems to be trustworthy and competent to transact business as public adjusters in such manner as to safeguard the interests of the public.

A license issued to a corporation, partnership, or association shall authorize only the officers and directors of the corporation or the members of the partnership or association specified in the license. The fee to be paid to the Insurance Commissioner by the applicant for such adjusters' license at the time the application is made, and annually thereafter for the renewal thereof, shall be one hundred dollars. If the applicant is a corporation, partnership, or association, such fee shall be paid for each person specified in the license.

Section 4. Before any adjuster's license is issued by the Insurance Commissioner, there shall be filed, in the Insurance Department, a written application therefor. Such application shall be on form or forms and supplements thereof prescribed by the commissioner and must set forth: (a) The name and address of the applicant, and, if the applicant is a partnership or association, the name and address of each member, and, if the applicant is a corporation, the name and address of each of its officers and directors; (b) whether any license as agent, broker, or adjuster has been issued heretofore by the commissioner to the applicant; and, if the applicant is an individual, whether any such license has been heretofore issued to any partnership or association of which he was or is a member or to any corporation of which he was or is an officer or director; and, if the applicant is a partnership or association, whether any such license has been issued heretofore to any member thereof; and, if the applicant is a corporation, whether any such license has been issued heretofore to any officer or director of such corporation; (c) the business in which the applicant has been engaged for the year next preceding the date of the application, and, if employed by another, the name or names and addresses of such employer or employers; (d) such other information as the commissioner may require to enable him to determine their trustworthiness and competency to transact the business of public adjusters in such manner as to safeguard the interests of the public.

An application for an adjuster's license must be signed and sworn to by the applicant, if an individual; and, if made by a partnership or association, by each member thereof; and, if made by a corporation, by each officer and director thereof who is authorized thereby to act as an adjuster.

Section 5. A corporation, association, or partnership to which a license has been issued may at any time make an application to the commissioner for the issuance of a supplemental license authorizing additional officers or directors of the corporation or additional members of the partnership or association to act as adjusters. The commissioner may thereupon issue to such corporation, association, or partnership a supplemental license accordingly, upon the payment of an additional fee for each member, officer, or director thereby authorized to act as an adjuster.

Section 6. A license issued under this act shall be revoked by the commissioner if, after due investigation, he determines that the holder of such license: (a) has violated any provisions of this act; or (b) has made a material misstatement in the application for such license; or (c) has been guilty of fraudulent practices; or (d) has, in the judgment of the Insurance Commissioner, demonstrated his incompetency or untrustworthiness to transact the business of a public adjuster.

Section 7. If an application for license under this act is refused, or if a license is revoked by the commissioner, notice thereof shall forthwith be served on the

applicant or on the holder of such license, either personally or by mail. If by mail, such service shall be complete if the notice is deposited in the postoffice, postage prepaid, directed to the applicant or the holder of such license, as the case may be, at the place of business specified in the application or license.

Within thirty days from the date of such notice, the applicant or licensee may apply to the court of common pleas by petition and rule to show cause why the action of the commissioner should not be set aside and the license be issued or reinstated.

Section 8. Any person, partnership, association, or corporation violating any of the provisions of this act shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine of not exceeding five hundred dollars.

Approved—the 25th day of April, A. D. 1921.

WM. C. SPROUL.

The foregoing is a true and correct copy of the act of the General Assembly No. 136.

CYRUS E. WOODS,
Secretary of the Commonwealth.

STATUTORY REFERENCES TO INSURANCE INVESTMENT LAWS OF THE SEVERAL STATES.

Compiled by CLARENCE W. HOBBS, Massachusetts.

State.	Reference.	Companies to Which Applicable.	Description.
Alabama	Act 1919, c. 346, s. 3	All domestic	Authorization of Farm Loan Bonds.
	Code 1907, s. 4565.		
	Am. act, Aug. 17, 1909	Domestic life	Investment of \$100,000 of assets.
	Code 1907, s. 3563	All domestic	Prohibition of certain investments.
	Code 1907, s. 4559.	All foreign, including U. S. Branches	Investment of statutory deposit of life co., of \$50,000 of assets of co. other than life.
	Code 1907, s. 1509	Foreign surety	Investment of capital and deposits.
Arizona	L. 1913, ss. 18, 49	All domestic	Investment of capital, etc. Regulations. Real estate.
Arkansas	Crawford & Moses Digest 1921, s. 5981	Domestic life, accident and health	Investment of deposit.
	s. 6059	Foreign life, accident and health	Investment of deposit.
California	Civil Code 1909, s. 415	All companies	Real estate.
	Laws 1913, Act 1732, s. 7	All domestic	Authorization of bonds of irrigation district.
	Laws 1915, c. 627, s. 7	All domestic	Authorization of bonds of county water works dist.
	Civil Code, s. 453, f. f. am. c. 769, laws 1915	All domestic	Authorization, mortgage participation cdfs., etc.
	L. 1917, c. 114	All domestic	Authorization, bonds of municipal water districts.
	Civil Code, s. 421 am. L. 1917, c. 219	All domestic	Investment of funds.
	Civil Code, s. 453t	Domestic title	Investment of guarantee fund.
	Civil Code, s. 453ee	Domestic mortgage	Investment of funds.
	Political Code, s. 3480 am. c. 670, L. 1917	All domestic	Authorization, bonds of reclamation districts.
	L. 1919, c. 180	All companies	Authorization, Farm Loan Bonds.
Colorado	L. 1913, c. 99, s. 26	All domestic	Investment of capital, etc.
	L. 1915, c. 97	Domestic life	Authorization, stock of other insurance cos.
	L. 1913, c. 99, s. 25	All surety cos. U. S. Branches	Investment of deposits.
	S. 27	Domestic cos.	Real estate.
Connecticut	General Statutes 1918—		
	S. 4102	U. S. Branches	Invctment of deposit.
	S. 4146	Domestic life	Regulation, loans, etc.
	S. 4147	Domestic life	Officers not to receive fees, etc.
	S. 4148	Domestic life	Regulation, loans.
	S. 4150	Domestic life	Regulation, loans and investments.
	S. 4152	Domestic life	Penalty, illegal investments.
	S. 4158	Domestic life	Sale of property taken for debts.

State.	Reference.	Companies to Which Applicable.	Description.	
Delaware	Revised Code 1915—			
	S. 590	Domestic life	Investment of assets, regulations, etc., real estate.	
	S. 528	All surety cos.	Investment of \$100,000 and deposit of \$10,000.	
District of Columbia	S. 553 of Code 31 U. S. Stat. P. 1280	All life, accident and health cos.	Investment of capital or guarantee fund.	
Florida	Gen. Sis. 1920, s. 4249	Foreign insurance cos.		
		Domestic companies	Investment of certain assets.	
	Laws, c. 5889, am. c. 6850, Acts 1915, s. 1.	All fire companies	Investment of deposit.	
	Laws 1915, c. 6850	Domestic mutual fire	Investment of assets.	
	Acts 1895, c. 4671, s. 1	All surety companies	Investment of deposit.	
	Laws 1915, c. 6846	Reciprocals	Investment of reserve fund.	
	Laws 1909, c. 5459	Domestic funeral benefit	Investment of \$5,000 assets.	
Laws 1915, c. 6970, s. 10	Domestic fraternal benefit societies	Investment of funds.		
Georgia	Park's Code, 1914, ss. 2408, 2409, am. act of Aug. 17, 1918.	All companies	Investment of funds.	
	Act Oct. 24, 1887, s. 4. 1895 code, s. 2035, am. act Aug. 22, 1905	Foreign fire and marine companies	Real estate.	
	S. 3	All companies	Investment of deposit, \$25,000.	
	S. 5	Foreign life and accident	Investment of \$100,000 assets.	
	Code 1895, s. 2043 am. Act of Aug. 22, 1905	Home life	Investment of deposit \$100,000.	
	Act. of Aug. 22, 1905	Foreign industrial life	Investment of deposit \$5,000.	
	Act of Aug. 19, 1912, s. 14	Domestic industrial life	Investment of deposit 60% of capital.	
	S. 39	Domestic mutual fire	Investment of deposit \$10,000.	
	Idaho	Compiled Sts. 1919—		
		S. 4962	Domestic stock cos.	Investment of minimum capital.
S. 4903		Foreign stock cos.	Investment of cash capital.	
S. 4964		All companies	Investment of other funds.	
S. 4960		Assessment life and casualty	Investment of \$100,000 surplus.	
S. 4965		Domestic companies	Investment of funds to meet foreign obligations.	
S. 4966		All companies	Real estate.	
S. 5066		Domestic mutual fire	Investment of \$25,000 guaranty fund.	
S. 5036		Foreign mutual fire	Investment of surplus.	
S. 5054		Domestic stock, live stock	Investment of \$25,000 capital.	
S. 5104		Foreign surety	Investment of \$25,000 deposit.	
S. 5147		All fraternal benefit	Investment of funds.	

State.	Reference.	Companies to Which Applicable.	Description.	
Illinois	L. Mch. 11, 1869, s. 22, am. L. Apr. 24, 1899	Foreign fire and marine	Investment of deposit of \$200,000.	
	L. June 18, 1883, L. Mch. 19, 1872	U. S. Branch, fire and marine	Investment of \$200,000 deposit.	
	L. June 22, 1891	Foreign fire and marine	Investment of \$200,000 funds.	
	L. June 12, 1909	Domestic fire and marine	Investment of funds.	
	L. 1907, P. 371, s. 11, Hurds Rev.-Sts. 1917, c. 73, s. 191	Domestic life	Investment of funds.	
	S. 72	Domestic life	Investment of funds in other states.	
	L. May 20, 1907, s. 1	Domestic life	Investment of funds.	
	S. 2	Domestic life	Real estate.	
	L. July 1, 1919, s. 5	Domestic life, accident and health	Investment of funds.	
	L. June 22, 1893, s. 14	Domestic assessment life or accident	Investment of reserve fund.	
	L. July 1, 1919, s. 3	Fraternal benefit	Investment of funds.	
	L. July 1, 1919, s. 3	Domestic casualty	Investment of capital.	
	L. July 31, 1879	Foreign other than life	Investment of deposit.	
	L. June 29, 1915, s. 5	Domestic casualty and surety	Investment of funds.	
	L. Apr. 17, 1879, 1915, s. 6	Domestic fidelity and surety	Investment of deposit \$100,000.	
	Indiana	Burns R-S, 1914—		
		S. 4769	Domestic other than life and fire	Investment of capital.
		S. 4783	Domestic other than life and fire	Investment of funds other than capital.
		S. 4784-5	Domestic other than life and fire	Real estate.
		S. 5716	Foreign surety	Investment of deposit \$100,000.
		Burns R-S sup. 1918—		
		S. 5961-j	Fraternal benefit	Investment of funds.
		Burns R-S 1914—		
S. 4826		Domestic live stock	Investment of \$100,000 of capital.	
S. 4831		Domestic live stock	Real estate.	
Acts 1919, P. 721, s. 5.		Lloyds	Investment of funds.	
Acts 1919, P. 505, s. 18		Reciprocals	Investment of assets.	
Burns R. S. sup. 1918, s. 4789q.		Domestic mutual	Investment of assets.	
Burns R. S. 1914—				
S. 4655		Domestic mutual fire	Investment of funds.	
S. 4611		Domestic stock	Real estate.	
S. 4620		Domestic stock	Investment of assets.	
S. 4682		Domestic life	Investment of 50% of capital.	
S. 4699		Domestic life	Investment of funds.	
S. 4700, s. 4701	Domestic life	Real estate.		
S. 4707	Foreign life	Investment of deposit, net cash value of policies.		
S. 5741	Domestic surety	Investment of \$200,000 capital.		
S. 5755	Domestic surety	Investment of funds,		
S. 5756-7	Domestic surety	Real estate.		

State.	Reference.	Companies to Which Applicable.	Description.	
Iowa	1917, c. 180, s. 6	Reciprocal	Investment of unearned premium reserve.	
	L. 1919, c. 348, s. 13	All domestic	Gains, etc., prohibited.	
	Code Title X, c. 4, s. 1699	Domestic other than life	Investment of funds.	
	S. 1708	Domestic other than life	Real estate.	
	S. 1769	Domestic life	Investment 25% of capital.	
	S. 1772	Foreign life	Investment of amount equal to minimum capital required of domestic co.	
	S. 1806	Domestic life	Investment of deposits and trust funds.	
	Am. L. 1917, c. 404, s. 1807	Domestic life	Real estate.	
	S. 1839k	Domestic fraternal beneficiary	Real estate.	
	S. 1839-l	Domestic fraternal beneficiary	Investment of funds.	
	Kansas	Kansas Ins. laws, s. 35, 1919, L. 1919, C. 212 s. 1	Domestic stock	Investment of \$100,000 deposit.
		Kansas Ins. laws, 1919, s. 38, L. 1919, c. 213, s. 1	Domestic stock, other than life	Investment of \$100,000 deposit.
		Kansas Ins. laws, 1919, s. 41, G. S. 1915, s. 5190	Domestic other than life	Investment of funds.
Same s. 52, G. S. 1915, s. 5199		Domestic other than life	Real estate.	
Same s. 62, G. S. 1915, s. 5207		Domestic stock life	Investment of \$100,000 deposit.	
Same s. 64, L. 1917, c. 211, s. 1		Domestic life	Investment of funds.	
Same s. 73, G. S. 1915, s. 5232		Domestic life	Real estate.	
Same s. 86, G. S. 1915, s. 5221		Foreign life	Investment of \$100,000 deposit.	
Same s. 103, G. S. 1915, s. 5241		Domestic mutual life	Investment of \$25,000 deposit (or deposit equal to 3/5 annual premiums).	
Same s. 113, G. S. 1915, s. 5250		Domestic mutual life	Investment of guarantee and legal reserve funds.	
Same s. 136, G. S. 1915, s. 5269		Domestic mutual life associations	Investment of reserve fund.	
Same s. 177, G. S. 1915, s. 5320		Domestic mutual fire and tornado	Investment of reserve fund.	
Same s. 191, G. S. 1915, s. 5334		Domestic mutual fire and tornado	Investment of guarantee fund.	
Same s. 206, G. S. 1915, s. 5381		Domestic mutual hail	Investment of reserve fund.	
Same s. 349, G. S. 1915, s. 5461		Reciprocal	Investment of reserves.	
Kentucky		Carroll's Ky. Sts., s. 625	All companies	Investment of funds.
		Same s. 632	All companies	Real estate.
	Same s. 648	Domestic life	Investment of \$100,000 deposit.	
	Same s. 648a3	Domestic life	Investment of deposit of legal reserve.	
	Same s. 662	Domestic assessment life	Investment of emergency fund.	
	Same s. 631 a1	Domestic assessment life or casualty	Investment of guarantee fund of \$100,000.	
	Same s. 681C10	Fraternal benefit socs.	Investment of funds.	
Same s. 687	All companies other than life	Investment of deposit.		

State.	Reference.	Companies to Which Applicable.	Description.
Kentucky—Cont.	Same s. 693	U. S. branches other than life	Investment of deposit.
	Same s. 733	Domestic title	Investment of capital.
	Same s. 734	Domestic title	Investment of guarantee fund.
	Same s. 743 a 16	Domestic mutual	Investment of funds.
	Same s. 743 m 6	Reciprocals	Investment of reserves.
	Same s. 743 s 2 h	Lloyds	Investment of guarantee fund.
Same s. 199a 2	Burial associations	Investment of deposit.	
Louisiana	Act 1898, c. 105, s. 5d	All domestic	Investment of funds.
	S. 6	All domestic	Regulations.
			Real estate.
	Act 1902, c. 112	Maine Lloyds	Investment of deposit \$100,000.
	Act 1908, c. 169	Domestic mutual life	Investment of deposit \$100,000.
	Act 1910, c. 210	Domestic mutual life	Investment of funds.
	Act 1906, c. 65	Foreign industrial life	Investment of deposit of \$5,000.
	Act 1908, c. 246	Domestic industrial life	Investment of deposit of \$5,000.
	Act 1914, c. 287	Fraternal benefit soc.	Investment of funds.
	Act 41 of 1894, am. act 203 of 1908	All surety companies	Investment of \$100,000 of assets.
	Act 71, of 1904	All guaranty, fidelity, surety and bond companies	Investment of special deposit \$50,000.
	Act 205, of 1920	All domestic	Investment of all deposits.
Act 95, of 1912	All domestic	Additional investments authorized.	
Act 84, of 1914	All domestic	Additional investments authorized.	
Maine	Rev. sts. of 1916, c. 53, s. 20	Domestic stock	Investment of assets.
	C. 54, s. 7	Domestic fraternal benefit socs.	Investment of reserve fund.
	S. 28	Foreign fraternal benefit socs.	Investments of deposit.
	Rev. sts. c. 52, s. 27	Companies above mentioned	Authorized securities.
Maryland	Bugby's annotated code—		
	Act XXIII, s. 110	Guarantee and fidelity companies	Investment of deposit \$100,000.
	S. 118	Domestic life and accident, all safe deposit, trust, guaranty, loan and fidelity associations	Investment of deposits.
	S. 154 R.	Domestic insurance companies.	Regulation of investments and deposits.
	S. 1453	Domestic insurance companies.	Real estate. Prohibited transactions.
(See also acts 1920, c. 538, ss. 154F, 1546)			
	S. 157	Domestic life and health	Investment of deposit of \$100,000.
	S. 183	Foreign life	Investment of deposit of \$100,000.
	S. 198	Certain health and accident companies	Investment of deposit and reserves.

State.	Reference.	Companies to Which Applicable.	Description.	
Maryland—Cont.	Acts 1920, c. 387	All companies, domestic and foreign	Investment of re-insurance reserve.	
	Act XXIII, s. 239	Fraternal benefit societies	Investment of funds.	
Massachusetts	Gen. Laws, c 175, s. 63	All domestic	Investment of capital of stock co. and $\frac{1}{4}$ reserve of life company.	
	S. 64	All domestic	Regulations.	
	S. 65	All domestic	Loans on mortgages.	
	S. 66	Domestic life	Regulations.	
	S. 67	Domestic life	Regulations.	
	S. 80	Domestic mutual fire	Investment of surplus.	
	Ss. 153, 155	U. S. branches	Investment of deposit.	
	C. 176, s. 18	Fraternal benefit soc.	Investment of funds.	
	Michigan	P. A. 1917, act 256, Part II, ch. 1, s. 10	All domestic	Real estate.
		S. 16	All domestic	Investment of funds.
C. 2, s. 2		All foreign	Investment of funds.	
S. 5		Foreign life, casualty, accident and health	Investment of deposits.	
S. 9		Lloyds	Investment of deposit \$200,000.	
Part III, ch. 3, s. 5		Domestic co-operative casualty, etc.	Investment of reserve or emergency fund.	
Ch. 4, s. 10		Fraternal benefit societies	Investment of funds.	
Part V, c. 2, s. 6		Reciprocals	Investment of reserve fund.	
C. 3, s. 11		Domestic mutuals	Investment of assets.	
Minnesota		G. S. 1913, s. 3309	All companies other than fire and marine, hail, farmers mutual or title	Investment of deposit of \$100,000.
	S. 3310	All domestic	Regulations.	
	S. 3303	All domestic	Investment of funds.	
	Am. 1915, c. 82, s. 1, s. 6467	Domestic life and fire	Authorization Federal Farm loan bonds.	
	S. 3312	Domestic fire and marine	Authorization, securities of foreign countries.	
	1919, c. 28, s. 1. Am. 1921, c. 231.	Fraternal benefit socs.	Authorization, Federal farm loan bonds.	
	S. 2 Am. 1921, c. 231	All companies	Deposits may be invested in farm loan bonds.	
	G. S. 1913, s. 3315	Domestic mutual life	Investment of temporary capital.	
	S. 3291	All domestic	Real estate.	
	S. 3490	Domestic life	Investment of funds regulations.	
	S. 3491	Domestic life	Real estate.	
	S. 3504, Am. 1915, c. 65	Co-operative life and casualty	Investment of deposit.	
	G. S. 1913, s. 3546	Fraternal benefit	Real estate.	
Ss. 3336, 3337	Domestic fire insurance cos.	Investment of funds. Investment of guaranty surplus and special reserve funds.		

State.	Reference.	Companies to Which Applicable.	Description.	
Minnesota (cont.)	S. 3456	Domestic mutual employers liability assoc.	Investment of funds.	
	S. 3457	Domestic mutual employers liability assoc.	Real estate.	
	S. 3365	Reciprocals	Investment of reserve.	
	S. 3394	Domestic township mutual	Authorization of loans.	
	S. 8431, Am. 1916, c. 196	Domestic title cos.	Investment of capital.	
	S. 3595	Foreign companies	Investment of deposits.	
Mississippi	Code 1906, s. 2568	Domestic stock	Investment of capital.	
	S. 2574	Domestic companies	Real estate.	
	S. 2552	Domestic life	Investment of capital.	
	S. 2553	Domestic companies	Investment of capital.	
	S. 2610	U. S. Branches	Investment of deposit.	
	S. 2671	All surety companies	Investment of \$100,000 of paid-up capital.	
	1910, c. 223, am. 1920, c. 313	All companies	Not to purchase stock of competing corporation.	
	Laws 1920, c. 182, ss. 1 and 4	All companies	Authorization, farm loan bonds.	
	Missouri	Ins. Laws, s. 6909, R. S. 1899, s. 7866	All life companies	Investment of special deposits.
		S. 6911, R. S. 1899, s. 7868	All life companies	Investment of additional deposits.
S. 6914, R. S. 1899, s. 7871		All life companies	Deposit of real estate.	
S. 6920, R. S. 1909, s. 6920, am. 1913, p. 378		Domestic life	Investment of funds.	
S. 6927, R. S. 1899, s. 7834		Foreign companies	Investment of deposits.	
S. 6929, R. S. 1899, s. 7836		U. S. branches	Investment of deposits.	
S. 6954, R. S. 1899, s. 7905		Assessment life	Investment of emergency fund.	
S. 6990, R. S. 1899, s. 7940, am. Rev. St. 1919, s. 6197		Industrial or prudential	Investment of deposit.	
S. 7008, Laws 1911, p. 271		Domestic insurance stock, other than life	Investment of capital.	
S. 7009, R. S. 1899, s. 7958, am. 1907, p. 318		Domestic mutual	Investment of guaranty fund.	
S. 7013, R. S. 1899, s. 7967		U. S. branches	Investment of deposit.	
S. 6997, Laws 1911, p. 274		All surety	Investment of deposit.	
S. 7060, R. S. 1899, s. 8008		All domestic	Regulations.	
S. 7061, R. S. 1899, s. 8009, R. S. 1913, s. 6330		All domestic	Real estate.	
S. 7062, Laws 1907, p. 315, R. S. 1919, s. 6331		All domestic	Investment of reserve and surplus.	
S. 7063, R. S. 1899, s. 8010, R. S. 1919, s. 6332		All domestic	Not to hold own stock. Other regulations.	

State.	Reference.	Companies to Which Applicable.	Description.
Missouri—Cont.	S. 7065, Laws 1907, p. 313.	All companies	Officers not to use funds for private gain.
	Laws 1911, p. 234, s. 11.	Fraternal ben. soc.	Investment of funds.
	Laws 1909, p. 241-642.	All companies	Authorization, drainage district bonds.
	R. S. 1919, s. 9115	All companies	Authorization, water works bonds.
Montana	R. C. 1907, s. 4048.	Domestic other than life	Investment of funds.
	S. 4062, am. c. 220, L. 1919.	Foreign casualty	Investment of 50% of capital.
	Laws 1919, c. 139, s. 11.	Foreign surety cos.	Investment of \$100,000 of capital.
	R. C. 1907, s. 4162.	Domestic assessment accident	Investment of emergency fund.
	S. 4114, am. 1911, c. 68.	Domestic life	Investment of 50% of capital.
	S. 4117	Domestic life	Investment of deposit of reserve.
	S. 4118	Foreign life	Investment of capital or, in case of mutual cos., surplus.
	S. 4125	Domestic life	Real estate.
	S. 4151	Domestic assessment life	Investment of general or guarantee fund.
	Laws 1911, c. 140, s. 10.	Fraternal ben. soc.	Investment of funds.
	Laws 1915, c. 118, s. 3.	Domestic title	Investment of capital.
	S. 5	Domestic title	Investment of capital.
Nebraska	Senate File 364 of 1913, c. 31, Act III.		
	s. 3174, s. 3176	Foreign or alien cos.	Investment of assets.
	Laws 1919, c. 190, Title V, Act IV., s. 9, s. 10.	Domestic cos.	Investment of capital.
	S. 12	Domestic cos.	Real estate.
	Laws 1913, p. 457.	Domestic fire	Investment of surplus fund.
	Laws 1913, p. 519.	Domestic employers liability as- sociations	Investment of funds.
	P. 320	Domestic employers liability as- sociations	Real estate.
Nevada	Act Feb. 23, 1831, s. 2, am. 1917, c. 452.	Domestic cos.	Investment of capital.
	S. 3, am. 1917, c. 453.	Domestic cos.	Loans to stockholders, officers, etc.
	Act March 6, 1897, s. 4.	Domestic mutual fire	Real estate.
	Act. Mar. 23, 1891	Domestic assessment	Investment of deposit.
New Hampshire	Public statutes, c. 163, s. 9.	Domestic companies	Regulation of investments, etc.
	1911, c. 87, s. 1, 2 am. 1913, c. 88.	Domestic companies	Prohibited investments.
	1917, c. 21, 1911, c. 28, s. 7.	Domestic life	Investment of guaranty surplus fund.
	S. 8	Domestic life	Investment of special reserve.
	Pub. Sts., c. 169, ss. 2, 3.	Foreign cos.	Investment of required capital or, in case of mutual, of required assets.
	Laws 1913, c. 42, ss. 1, 16.	Domestic life	Investment of funds.
	Ss. 17, 18	Domestic life	Real estate.
Laws 1913, c. 53, s. 2.	Domestic surety	Investment of funds.	
Laws 1896, c. 81.	Assessment casualty	Investment of trust fund of \$10,000.	

State.	Reference.	Companies to Which Applicable.	Description.	
New Jersey	Laws 1902, c. 134, s. 6	Domestic mutual life	Investment of temporary capital.	
	S. 8	Domestic cos. other than fire and liability	Investment of deposits.	
	S. 16	Domestic cos.	Investment of capital and surplus regulations.	
	S. 18	Domestic cos.	Real estate.	
	S. 67	Foreign and U. S. branches	Real estate.	
	S. 109	Domestic companies	Investment of funds to meet obligation in foreign country.	
New Mexico	S. 151	Domestic companies	Authorization of farm loan bonds.	
	Code 1915, s. 2852	Domestic companies	Investment of capital and funds.	
	S. 2853	Domestic companies	Real estate.	
	S. 2858	Foreign fire	Investment of special deposit, \$20,000.	
	Laws 1921, H. B. 115	Fraternal benefit	Investment of funds.	
New York	Consol. Laws, c. 28, s. 13	All companies	Investment of deposits.	
	S. 16	Domestic companies	Investment of capital and surplus.	
	S. 17	All companies	Securities to be interest or dividend paying.	
	S. 20	All companies	Real estate.	
	S. 27, p. 4	U. S. branches, fire and marine	Investment of deposits and funds.	
	S. 28	U. S. branches, life casualty and surety	Investment of deposits and funds.	
	S. 56	Foreign insurance cos.	Assets to be of same character as permitted for domestic companies.	
	S. 73, s. 74	Domestic life	Investment of deposit to secure registered policies.	
	S. 100	Domestic life	Investment of funds.	
	S. 131	Domestic fire	Investment of guaranty surplus fund.	
	S. 176	Domestic title guaranty	Investment of capital and funds.	
	S. 205	Domestic assessment life or casualty	Investment of reserve or emergency fund.	
	S. 233, p. 3	Fraternal benefit	Investment of funds.	
	S. 302f	Domestic Lloyds and inter-insurers	Investment of assets.	
	S. 304g	Domestic Lloyds and inter-insurers	Investment of assets.	
	S. 324	Domestic mutual automobile, fire	Investment of assets.	
	S. 344	Domestic mutual automobile casualty	Investment of assets.	
		Gen. Corp'n. Law, ss. 13 and 14	Domestic companies	Real estate.
		Gen. Corp'n. Law, ss. 20 and 21	Foreign companies	Real estate.
	North Carolina	Cons. Laws 1919, s. 6314	Domestic companies	Investment of deposits.
S. 6315		U. S. branches	Investment of deposits.	
S. 6331		Domestic companies	Real estate.	
S. 6334		Domestic companies	Investment of capital.	

State.	Reference.	Companies to Which Applicable.	Description.
N. Carolina—(cont.)	S. 6442	Foreign fire	Investment of special deposit.
	S. 6467	Domestic life	Investment of deposit to secure registered policies.
	S. 6473	Domestic life	Investment of deposit for unregistered policies.
	S. 6512	Fraternal ben. soc.	Investment of funds.
North Dakota	1919, H. B. 88, s. 11	Domestic mutuals	Investment of assets.
	1919, c. 157, s. 6, 1921, S. B. 157	Reciprocals	Investment of assets.
	1917, S. B. 135, s. 2	Co-operative and assessment life	Investment of assets.
	Political Code, s. 4841	Domestic companies	Not to deal in goods, wares or merchandise.
	S. 4842	Domestic companies	Real estate.
	S. 4843	Domestic companies	Investment of capital and surplus.
	S. 4847	Domestic life	Investment of reserve deposit.
	S. 4861	Domestic life	Investment of funds.
	S. 4862	Domestic life	Real estate.
	S. 4974	Domestic accident and health	Investment of reserve fund.
	S. 5067	Fraternal ben. soc.	Investment of funds.
	Ohio	General Code, c. 2, s. 640	All companies
Div. III, c. 1, s. 9343, subd. I.		Domestic stock life	Investment of capital.
S. 9346		Domestic stock life	Investment of deposit, \$100,000.
S. 9357		Domestic life	Investment of funds.
S. 9358		Domestic life	Investment of funds.
S. 9359		Domestic life	Real estate.
S. 9360		Domestic life	Real estate.
S. 9366		Foreign life	Investment of capital, etc.
S. 9367		Foreign life	Investment of deposit.
S. 9373		U. S. branches, life companies	Investment of deposit.
S. 9429-1		Assessment life and accident	Investment of deposit.
S. 9449		Assessment life and accident	Investment of reserve or guaranty fund.
S. 9471, p. 10		Fraternal benefit	Investment of funds.
Subd. II, s. 9518		Domestic other than life	Investment of capital.
S. 9518-1		All domestic	Authorization of investment in Federal farm loan bonds.
S. 9518-2		Domestic and foreign	Authorization of investment in Federal farm loan bonds.
S. 9519		Domestic other than life	Investment of funds other than capital.
S. 9520		Domestic other than life	Regulations.
S. 9521		Domestic other than life	Liability of directors.
S. 9536		Domestic other than life	Real estate.
S. 9537		Domestic other than life	Real estate.
S. 9560		Foreign other than life	Investment of capital.
S. 9565		U. S. branches	Investment of deposit.
S. 9568	Domestic surety	Investment of deposit.	
S. 9569	Foreign surety	Investment of deposit.	

State.	Reference.	Companies to Which Applicable.	Description.
Ohio (cont.)	S. 9607-11	Domestic mutual	Investment of assets.
	S. 9607-20	Foreign mutual	Investment of assets.
	S. 9607-33	Domestic mutual	Investment of deposit.
	S. 9622	Domestic credit guarantee	Investment of capital.
	S. 9624	Domestic credit guarantee	Investment of capital.
	S. 9626	Domestic credit guarantee	Investment of deposit.
	S. 9628	Domestic credit guarantee	Investment in purchase of assets.
	S. 9680, p. 5	Foreign credit guarantee	Investment of \$100,000 deposit.
	S. 9681	U. S. branch credit guarantee	Investment of deposit.
	S. 10057	Religious and benevolent societies	Investment of funds.
	S. 10180	Farm laborers associations	Investment of funds.
	Oklahoma	Const. Act. IX, s. 41	All companies
Code, s. 3421, am. c. 98, 1911		Foreign companies	Investment of deposit.
S. 3423		U. S. branches	Investment of capital, etc.
S. 3441		Domestic cos.	Investment of deposit.
S. 3444		Domestic cos.	Restrictions on investment of funds.
S. 3445		Domestic cos.	Investments of assets. Real estate.
S. 3527		Domestic mutual cos.	Investment of emergency fund.
S. 3544		Domestic mutual hail	Investment of emergency fund.
S. 3547		Domestic mutual hail	Investment of guaranty fund.
1915, c. 225, s. 16		Domestic mutual	Investment of assets.
Oregon	L. 1917, c. 203, s. 3b, p. 3	Foreign life	Investment of deposit.
	P. 4	All foreign and U. S. branches.	Investment of deposit.
	S. 17	All companies	Investment of deposit.
	S. 21g, p. 1, 2, 3, 4	Domestic stock	Investment of capital.
	P. 5	Domestic companies	Investment of funds required to meet obligations outside state.
	P. 6, 7	Domestic companies	Real estate.
	P. 8, 10, 11, 12, 13	Domestic companies	Miscellaneous regulations.
	S. 22b.	Foreign fire	Investment of special deposit.
	S. 22m, p. 3h	Lloyds	Investment of reserve fund of \$100,000.
	S. 25, P. 2	Foreign surety	Investment of special deposit of \$25,000.
	S. 28, p. 3	Mutual assessment life	Investment of emergency fund.
	L. 1911, c. 217, s. 10	Fraternal benefit socs.	Investment of funds.
	L. 1909, c. 236, ss. 3, 4	Domestic title ins.	Investment of guarantee fund.
	Am. 1919, c. 342, s. 3, 1919, c. 407, ss. 5, 6	Domestic mortgage insurance co.	Investment of capital and accumulations.

State.	Reference.	Companies to Which Applicable.	Description.
Pennsylvania	Act 284, 1921, s. 340	Foreign companies, U. S. branches	Real estate.
	S. 341	Foreign companies, U. S. branches	Real estate.
	S. 343	Foreign companies, U. S. branches	Real estate.
	S. 404	Domestic life	Investment of capital and reserves.
	S. 405	Domestic life	Investment of surplus.
	S. 406	Domestic life	Real estate.
	S. 517	Domestic stock F. & M.	Investment of capital.
	S. 518	Domestic stock F. & M.	Investment of surplus.
	S. 519	Domestic stock F. & M.	Investment of real estate.
	S. 602	Domestic stock casualty	Investment of capital.
	S. 603	Domestic stock casualty	Investment of surplus.
	S. 604	Domestic stock casualty	Real estate.
	S. 661	All surety companies	Investment of \$100,000 deposit.
	S. 802	Domestic mutual (other than life)	Investment of assets.
	S. 803	Domestic mutual (other than life)	Real estate.
	S. 903h	Lloyds	Investment of reserve fund.
	S. 906	Lloyds	Investment of deposit by alien underwriter.
	S. 1008	Reciprocals	Investment of reserve fund.
	Act 324 of 1921, s. 10	Domestic fraternal benefit	Investment of funds.
	Rhode Island	L. 1909, c. 219, s. 17	All companies
S. 30		Fire companies	Investment of guaranty surplus fund.
S. 31		Fire companies	Investment of special reserve fund.
C. 220, s. 8		Foreign companies	Restrictions on investment of capital and deposit.
S. 9		Foreign life, health, safety and live-stock	Investment of \$100,000 deposit.
C. 225, s. 4		Foreign surety	Investment of \$100,000 deposit.
C. 224, s. 5		Assessment life and casualty	Investment of emergency fund.
S. 6		Assessment life	Investment of \$100,000.
South Carolina	Civil code 1912		
	S. 2708	All companies	Investment of deposit.
	S. 2701	All companies	Investment of deposit in lieu of bond.
	S. 2702, Am. Act 249, laws 1914	Foreign life	Investment of reserve on South Carolina policies.
South Dakota	Code 1919, s. 9162	All domestic	Investments to bear at least 4% interest.
	S. 9209	Domestic fire and inland marine	Not to engage in dealing in goods, wares, etc.
	S. 9210	Domestic fire and inland marine	Investment of capital stock.
	S. 9213	Domestic fire and inland marine	Investment of funds.
	S. 9214	Domestic fire and inland marine	Real estate.
	S. 9232	Domestic mutual hail	Investment of guaranty fund.
	S. 9284	Foreign mutual hail	Investment of assets.

State.	Reference.	Companies to Which Applicable.	Description.	
South Dakota—Cont.	S. 9293	Foreign mutual live stock	Investment of deposit \$25,000.	
	S. 9294	Foreign stock, live stock	Investment of capital.	
	S. 9320	Domestic life, health and accident cos.	Investment of capital and reserve.	
	Ss. 9321, 9322	Domestic life, health and accident cos.	Real estate.	
	S. 9351	Domestic and foreign stock life	Investment of capital and \$100,000 deposit.	
	S. 9355	Domestic mutual assessment health and accident	Investment of reserve fund.	
	S. 9356	Foreign mutual assessment	Investment of assets.	
	S. 9360	All assessment companies	Investment of trust fund.	
	S. 9377	Mutual level premium life	Real estate. Investment of reserve fund.	
	S. 9378	Mutual level premium life	Investment of deposit.	
	S. 9387	All surety companies	Investment of guaranty fund.	
	S. 9395	Domestic surety companies	Investment of funds. Real estate.	
	S. 9397	Foreign accident, health and cas- ualty	Investment of deposit.	
	S. 9428	Domestic mutual employers lia- biliary	Investment of funds.	
	S. 9429	Domestic mutual employers lia- biliary	Real estate.	
	Tennessee	1895, c. 160, s. 9, p. 2	Foreign life	Investment of deposit of \$100,000.
		S. 10	Other foreign	Investment of capital.
		S. 13	U. S. branches	Investment of deposit.
		S. 15	Domestic life	Investment of \$100,000.
		1907, c. 458, s. 1	Lloyds	Investment of deposit.
S. 2		Domestic life	Underwriting policies.	
S. 3		Domestic life	Investment of funds.	
S. 3		Domestic life	Real estate.	
1897, c. 127, s. 1		Assessment life and accident	Investment of deposit of \$100,000.	
Am. c. 450, Acts of 1907— S. 5		Assessment life and accident	Investment of emergency fund.	
1907, c. 461, s. 2		State mutual fire	Investment of guaranty capital and assets.	
1919, c. 108, s. 11		Domestic mutual companies	Investment of assets.	
1913, c. 44, s. 10		Fraternal benefit	Investment of funds.	
1917, c. 124		Domestic companies	Officers not to be pecuniarily interested in investments, loans, etc.	
1915, c. 34, s. 6		Reciprocal	Investment of reserve fund.	
1895, c. 175, s. 9 (am. 1905, c. 360)—	All surety companies	Investment of deposit.		

State.	Reference.	Companies to Which Applicable.	Description.
Texas	R. S., Act 4710, 4711	Domestic companies	Investment of capital.
	Act 4712	Domestic companies	Investment of surplus.
	R. S., Act 4734	Domestic life	Investments authorized.
	Act 4735	Domestic life	Real estate.
	Act 4736	Domestic life	Directors not to be interested in purchases.
	Act 4750	Domestic life	Investment of deposits and reserve to secure registered policies.
	Act 4751	Domestic life	Same.
	Act 4757	Domestic life	Funds to be invested in corporate name, etc.
	Act 4762	Domestic life, accident and health on monthly or weekly premium plan	Investment of assets.
	Act 4767	Foreign life, accident and health	Investment of \$100,000.
	Act 4769	Foreign life, accident and health	Investment of deposit of \$100,000.
	Act 4772	Foreign life, accident and health	Investment of assets.
	Act 4775		
	Act 4776		
	Acts 35th Leg. c. 63, s. 1		
	Act 4777		
	Act 4778		
	Act 4788	Foreign life	Investment of $\frac{1}{4}$ reserve on Texas policies.
	Act 4787	Domestic life	Investment of capital stock deposit.
	Act 4811	Domestic co-operative life	Investment of assets.
	Act 4869	Domestic fire and marine	Real estate.
	Act 4870	Foreign fire and marine	Investment of deposit in lieu of bond.
	Acts 32nd Leg., c. 117, s. 5.	Domestic casualty	Investment of capital.
	S. 18	Domestic casualty	Investment of surplus.
	Ss. 19, 20	Domestic casualty	Real estate.
	Gen. Laws, 33rd Leg., c. 65, s. 1.	All surety companies	Investment of deposit.
	R. S., Act 4930	All surety companies	Investment of deposit.
Acts 32nd, Leg., c. 108, s. 1.	All companies	Investments to reduce tax.	
33rd Leg., c. 29, s. 9	Domestic, mutual fire, lightning, hail and storm	Investment of funds.	
35th Leg., c. 192, s. 10.	Fraternal benefit societies	Investment of funds.	
Utah	1909, c. 121, s. 26.	Mutual fire	Investment of deposit in lieu of bond.
	S. 27	All companies	Investment of capital, guaranty or surplus.
	1911, c. 81, s. 430xl	Domestic companies	Investment of other funds.
	1911, c. 148, s. 10.	All surety companies	Investment of \$100,000 deposit.
		Fraternal benefit	Investment of funds.

State.	Reference.	Companies to Which Applicable.	Description.
Virginia	Code 1919, s. 4201	Domestic companies	Investment of deposit of \$10,000.
	S. 4211	All companies	Investment of deposit, \$10,000 to \$50,000.
	S. 4235	Domestic life	Investment of deposit.
	S. 4232	Fraternal benefit	Investment of funds.
	S. 4236	U. S. branches	Investment of deposit.
	Acts 1920, c. 181.	Industrial insurance co.	Investment of deposit.
	C. 312, s. 6	Reciprocal	Investment of reserve fund.
	C. 259, s. 11	Mutual companies	Investment of assets.
	C. 498, s. 1	Domestic companies	Investment of capital.
	Amending code, s. 4204	Foreign cos. other than industrial.	Investment of capital.
		U. S. branches	Investment of deposit.
	Vermont	General Laws--	
S. 5551		Domestic stock fire	Investment of capital and other funds.
S. 5556		Foreign stock cos.	Investment of capital.
S. 5557		Foreign mutual co.	Investment of assets of \$100,000.
S. 5580		Domestic life	Investments authorized.
1919, c. 156, s. 10		Mutual workmen's compensation	Investment of funds.
Washington	Code c. 49, s. 22	All companies	Investment of assets.
		U. S. branches	Investment of deposit.
	S. 24	Foreign companies	Investment of deposit.
	S. 186	Assessment life	Investment of \$200,000.
	S. 198	Title insurance	Investment of guaranty fund.
	S. 215	Fraternal ben. socs.	Investment of funds.
	C. 112, L. 1921, s. 23	Domestic cos.	Investment of capital.
		Foreign cos.	Investment of capital.
		U. S. branches	Investment of capital.
		Domestic companies	Investment of other funds.
	S. 23c	Domestic companies	Restrictions.
	S. 23f	Domestic life companies	Policy loans, real estate, restrictions.
	S. 23i	Domestic companies	Investments to be in interest or dividend paying securities.
	S. 23k	Domestic companies	Investments regulated.
S. 23u	Domestic companies	Real estate.	
S. 23e	Domestic companies	Investment of funds to meet foreign obligations.	
West Virginia	Acts 1907, c. 77, s. 26	Domestic life	Investments to be authorized.
	S. 27	Domestic life	Officers not to receive compensation.
	S. 28	Domestic life	Investments restricted.
	S. 29	Domestic life	Investments restricted.
	S. 30	Domestic life	Investments restricted.
	S. 30	Domestic life	Premium notes authorized.
	S. 31	Domestic life	Penalty for making illegal investments.

State.	Reference.	Companies to Which Applicable.	Description.
W. Virginia—(cont.)	S. 32	Domestic life	Investments in property by way of exchange.
	S. 61	Domestic other than fire and life	Investments restricted.
	Acts 1903, c. 8, s. 4	Domestic trust and guarantee	Investment of deposit.
Wisconsin	Ins. Law, s. 1902	Domestic cos.	Not to trade in goods, etc. Real estate holdings
	S. 1908	Domestic cos.	Investment of assets.
	S. 1911	Domestic fire	Investment of guaranty surplus fund.
	S. 1915, P. 1, c. 3	Lloyds	Deposit of alien underwriter.
	P. 6	Foreign cos.	Investment of capital.
	S. 1915m, p. 6	Reciprocals	Investment of reserve fund.
	S. 1947, 3b	Domestic life	Investment of capital.
	S. 1951	Domestic life	Investment of assets.
	S. 1956, p. 10	Fraternal benefit	Investment of funds.
	Wyoming	Ins. Laws, s. 69	Domestic companies
S. 71		Domestic companies	Investment of deposits.
S. 80		Domestic companies	Real estate.
S. 91		Foreign fire	Investment of deposit.
S. 101		Surety companies	Investment of deposit.
S. 138		Fraternal benefit	Investment of funds.

INDEX

A	Page
American Life Convention:	
T. W. Blackburn extends invitation from the.....	144
B	
Barber, A. C.:	
Remarks of, on Uniformity as to Taxation and Fees.....	75
Brace, Howard J.:	
Address of, on Efficiency of Insurance Agents.....	86
Briscoe, A. W.:	
Remarks of, on Uniform Requirements.....	84
Brown, Joseph G.:	
Remarks of, on Uniform Requirements.....	84
Re-elected member Executive Committee.....	146
Button, Joseph:	
Re-elected Secretary-Treasurer	146
Made chairman Examinations Committee	146
Salary increased as Secretary-Treasurer.....	147
C	
Call of States, December meeting	1
September meeting	53
Committee Reports:	
Actuarial Bureau:	
Report presented and adopted	143
Blanks:	
Report through Executive Committee.....	5, 8, 92, 128
Examinations: Report of	70
Fraternal Insurance:	
Richmond bill providing minimum rates of contribu- tion, presented and adopted	124
Laws and Legislation:	
Uniform Qualification Law for Agents and Brokers....	4
Regulation, Valuation and Control of Mutual Assess- ment Associations	5
Amortization of Securities	5
Multiple Lines, majority and minority reports pre- sented	18
Majority report adopted	30

	PAGE
Report of sub-committee on Agent's Qualification.....	126
Unfinished Business: Report	62
Valuation of Securities: Report of, adopted.....	8
Report presented and adopted	112
Workmen's Compensation Insurance:	
Resolution relating to, presented and referred.....	112
Question relating to, presented and referred.....	115
Constitution	iii
Convention Record	148
Cornett, Manon:	
Remarks of, on Coverage Under Health and Accident Policies	68
Coverage Under Health and Accident Policies:	
Address of Gustaf Lindquist on.....	163
Remarks of L. T. Hands on.....	65
Remarks of S. A. Olsness on.....	66
Remarks of Manon Cornett on.....	68
D	
Donahue, J. J.:	
Address of, on Efficiency of Insurance Agents.....	87
Donaldson, Thos. B.:	
Response to address of welcome by.....	51
Remarks of, on Efficiency of Insurance Agents.....	91
Address of, on Licensing Public Claim Adjusters.....	196
Elected President	145
E	
Efficiency of Insurance Agents:	
Address of Stacey W. Wade on.....	191
Remarks of H. J. Brace on.....	86
Remarks of J. J. Donahue on.....	87
Remarks of Wm. E. White on.....	89
Remarks of Thos. B. Donaldson on.....	91
F	
Fire Hazard Warnings:	
Resolution in regard to, presented and adopted.....	135
Fire Insurance Companies:	
Letter from M. L. Hewes with reference to amortization of securities of	63
Fishbank, H. O.:	
Elected Second Vice-President	145

INDEX

227

G		PAGE
Gain and Loss Exhibit:		
Report of special committee on the, presented and adopted		64
Gearhart, B. W.:		
Remarks of, on Uniformity as to Taxation and Fees.....		72
Gough, C. A.:		
Remarks of, on Investment Laws Relating to Insurance Companies		83
Gray, V. Evan:		
Address by		151
Thanks of convention extended to		64
Group Insurance:		
Letter of J. F. Egan on, read and referred.....		32

H

Hands, Leonhard T.:		
Remarks of, on Coverage Under Health and Accident Policies		65
Harty, A. L.:		
President's Address by		54
Resolutions of appreciation to, presented and adopted.....		135
Henry, T. M.:	Remarks of, on State Insurance.....	116
Hobbs, Clarence W.:		
Address of, on Investment Laws Relating to Insurance Companies		170
Remarks of, in reply to Mr. McMahan.....		82
Re-elected member Executive Committee		146

I

Insurance Supervision in Canada:		
Address by V. Evan Gray on		151
Investment Laws Relating to Insurance Companies:		
Address of C. W. Hobbs on.....		170
Remarks of J. J. McMahan on		77
Remarks of C. A. Gough on		83

L

Letter-Box:		
Questions under, propounded and answered.....		136
Licensing Public Claim Adjusters:		
Address of Thos. B. Donaldson on.....		196
Remarks of Earl Wilson on		121
Remarks of Thos. S. McMurray, Jr., on.....		122
Remarks of P. H. Wilbour on		123

	PAGE
Life President's Association:	
Communication from the, in regard to certain uniform provisions in life policies.....	63
Lindquist, Gustaf:	
Address of, on Coverage Under Health and Accident Policies	163
Louisville, Ky.:	
Selected as place for annual meeting.....	47
Resolutions of appreciation to citizens of, presented and adopted	143

M

McMahan, J. J.:	
Remarks of, on Investment Laws Relating to Insurance Companies	77
McMurray, Thos. S., Jr.:	
Remarks of, on Licensing Public Claim Adjusters.....	122
Mansfield, Burton:	
Address of, on State Insurance.....	194
Re-elected member Executive Committee.....	146
Marine Insurance:	
Report of Special Committee on, presented.....	16
Report adopted	23
Special Committee continued	31
Morrow, Governor E. P.: Address of welcome by.....	49

N

National Association of Insurance Agents:	
Resolutions of appreciation to the, presented and adopted..	134
New Orleans, La.: Selected as place for spring meeting.....	47

O

Officers and Committees	v
Olsness, S. A.:	
Remarks of, on Coverage Under Health and Accident Policies	66

P

Phillips, Jesse S.:	
Remarks of, on State Insurance.....	117
Re-elected chairman Executive Committee	146

INDEX

229

R

PAGE

Ramey, James F.:	
Re-elected member Executive Committee.....	146
Reciprocal Insurance: Special committee on, continued.....	46
Rogers, E. N.:	
Remarks of, on Uniformity as to Taxation and Fees.....	76

S

Savage, A. C.:	
Address of, on Uniformity as to Taxation and Fees.....	159
Re-elected member Executive Committee	146
Secretary-Treasurer's Report	111
Auditing Committee Appointed	112
Committee's Report	124
Should All Types of Carriers be Subject to Uniform Re-	
quirements Respecting Reserves and Supervision:	
Address by Platt Whitman on.....	188
Remarks of Jos. G. Brown on.....	84
Remarks of A. W. Briscoe on.....	84
State Insurance:	
Address by Burton Mansfield on.....	194
Remarks of T. M. Henry on	116
Remarks of Jesse S. Phillips on.....	117

T

Taxation and Fees, Uniformity as to:	
Address of A. C. Savage on.....	159
Remarks of B. W. Gearhart on.....	72
Remarks of A. C. Barber on.....	75
Remarks of E. N. Rogers on.....	76

U

Uniform Laws for Fraternal Societies:	
Petition from National Fraternal Congress in relation to,	
presented and referred	86
Use and Occupancy Coverage:	
Resolution in reference to, presented and referred.....	15

V

Van Camp, W. N.:	
Re-elected member Executive Committee.....	146

W		PAGE
Wade, Stacey W.:		
Address of, on Efficiency of Insurance Agents.....		191
Resolution presented by, and adopted.....		135
White, Wm. E.:		
Remarks of, on Efficiency of Insurance Agents.....		89
Whitman, Platt:		
Address of, on "Should All Types of Carriers be Subject to Uniform Requirements Respecting Reserves and Supervision"		183
Elected First Vice-President		145
Wilbour, Philip H.:		
Remarks of, on Licensing Public Claim Adjusters.....		123
Williams, W. J. and Chas. F.:		
Resolutions of appreciation to, presented and adopted.....		144
Wilson, Earl:		
Remarks of, on Licensing Public Claim Adjusters.....		121
Woodmen of the World: Hearing on Examination of.....		33
Workmen's Compensation Insurance:		
Uniform bill for supervision and regulation of rates of, presented and adopted		46
Y		
Young, James R.:		
Presentation of silver service to.....		35
Acknowledgment by		36

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