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TOPICS OF THE DAY.

MORE INSURANCE COMPANIES UNDER THE SEARCHLIGHT.

THE legislative committee which is now investigating the methods of life-insurance companies in New York was not appointed, as *The Outlook* explains, "to discover and punish wrongdoers." This is the work of the District Attorney and the State Superintendent of Insurance, who are conducting independent investigations. The object of the committee, as its chairman, Senator Armstrong, declares, is "to get at all the salient features of modern insurance business so as to suggest . . . an adequate law that will not only protect the policy-holders in all life-insurance companies, but will likewise protect the insurance companies' management from abuses at the hands of designing persons." Nevertheless the interesting developments already brought out by its inquiries, prove, says the *New York Press*, that "all the big life-insurance companies, proprietary and 'mutual,' so called, are as deep in the mud as the Equitable is in the mire."

The companies first to be "raked over the coals" were the Equitable Life, the New York Life, the Mutual Life, the Mutual Reserve Life, the Mutual Benefit Life of New Jersey, the Metropolitan Life of New York, and several smaller concerns. The admissions of the officials of most of the companies who were called as witnesses revealed instances of that same waste of assets, unwarranted advances to agents, expense accounts unverified and not audited, excessive salaries, improper loans and deposits, and obscure and unintelligible entries which created such a scandal against the Equitable. Says the *New York World*:

"For years these insurance companies have been giving to the public what are now admitted to be false statements. The New York Life has been proclaiming that it owns no stocks of any kind. Its treasurer yesterday admitted that it had thousands of shares of speculative stocks, but it omitted them from its annual statements. It was also admitted that the company made fictitious loans to clerks to conceal stocks which it pretended to have disposed of in order to meet the requirements of the Prussian insurance regulations. The Equitable is apparently no worse than its associates in the system. It almost shines by contrast. Its ex-

penses of management are less and its dividends greater than either the Mutual or the New York."

The first point made clear by the investigations of the committee, as the Milwaukee *Sentinel* relates, "is that mutual companies are not managed by the policy-holders." The Boston *Herald* remarks:

"It is shown by the statements of the corporation officers that the policy-holders rarely exercise their power of voting, and that the leading officials hold in proxies that they have obtained a voting power sufficient to set at naught any probable effort on the part of the policy-holders to reorganize the elected board of directors."

The real managers of mutual as well as all other kinds of big insurance companies are, as the Cleveland *Leader* points out, "select groups of magnates": and if the evidence adduced be true, they use the moneys in their care to influence State and national elections, as Judge Alton B. Parker charged during the last presidential campaign. Says he, in commenting upon the contribution of \$50,000 which the New York Life made to the Republican campaign fund:

"What has been proved in the case of the New York Life will undoubtedly be proved in the other cases. The facts exist, and honest and able counsel, backed by an honest committee, will undoubtedly bring them out for the public good."

It should be noted that no evidence has so far been brought to light which shows that the management of any company, no matter how irregular, has reduced its assets to such an extent as to impair the value of its policies. Even where directors and other officials have made profit out of the transactions of the company, it does not appear that the policy-holders have materially suffered. But as the *New York Globe* remarks:

"The fact that there has been no loss does not meet the criticism which has been made—that there is danger in a system under which an officer's fiduciary duties may collide with his interests as an individual. Selfishness being a fixed part of human nature, there is reason in the rule of the law that the rôles of buyer for others and possible seller for yourself can not be united."

The men, however, who indulge in this practise all seem to think that it is entirely unobjectionable. Mr. Frederick Cromwell, treasurer of the Mutual Life, frankly admitted his personal interest in a syndicate which was largely financed by the funds of his company. When called as a witness by the committee, he gave testimony which is summarized by the *New York Times* as follows:

"[He] showed that the members of the subfinance committee, the inner circle of the finance committee, which controls all of the investments of the Mutual, had mixed up their responsibility as officers of the Mutual with their private interests as members of the syndicates with which the Mutual had dealings. His evidence demonstrated that the James H. Hyde and associates' transactions with the Equitable had been duplicated by the members of the finance committee of the Mutual. Mr. Cromwell and his fellow-members of the subfinance committee frequently acted as middlemen between the Mutual and such interests as wanted to borrow of the Mutual, and when they had placed the loan they got their 'rake-off.' Questioned as to the propriety of his conduct in acting both for the Mutual and for those who wished to use its funds, Mr. Cromwell said that for a considerable time he had refrained from becoming a member of any syndicates which had

