PASSED IN A HURRY

Senate Lost No Time With the River and Harbor Bill.

MUCH BUSINESS TRANSACTED

Conference Report on the War Revenue Measure Disposed Of—Sundry Civil Appropriation Bill Taken Up.

WASHINGTON, Feb. 28.—The serenity of today's proceedings in the Senate was in sharp contrast with the tempestuous discussion of yesterday. An immense amount of business was disposed of, and not a single point raised was sharply controverted. The river and harbor bill, carrying appropriations of more than $50,000,000, was passed without a word of discussion, and the Senate adopted the conference report on the war revenue reduction measure without disturbing in the least the millpond smoothness of the proceedings. Final conference reports were made and agreed to on the diplomatic and consular and agricultural appropriation bills, and another conference on the post-office bill was ordered. Conference reports on several other measures were agreed to, and several bills of a minor character were passed. The last hour and a half of the session was devoted to consideration of the sundry civil appropriation bill.

When the Senate convened, the President pro tem., Frye, presented a letter from the Marquis of Lansdowne expressing the appreciation of His Majesty, King Edward VII for the resolution the Senate adopted on the occasion of the death of the Queen. The letter, which was sent to Ambassador Choate, and by him transmitted to the State Department, and by Secretary Hay sent to the Senate, is as follows:

"London, Feb. 14, 1901.—Your Excellency, the Prime Minister, duly laid before the King the copy of the resolution of the Senate of the United States of America, which your excellency forwarded in your note to me of the 8th inst. By command of the King, I am to request your excellency to be so kind as to express to the President of the Senate His Majesty's most sincere thanks for the mark of respect shown by the Senate of the United States to the memory of her deeply lamented majesty Queen Victoria, Empress of India. The terms of the resolution are highly appreciated by His Majesty."

A resolution was adopted authorizing the committee on finance to make an investigation of internal revenue, customs, currency and coinage matters, and to report to the Senate.

Pettigrew's resolution to discharge the committee on education and labor from consideration of the eight-hour bill, and make the bill an immediate order in the Senate, was laid before the Senate. Pettigrew's colleague, Kyle, is chairman of the committee on education ad labor. Pettigrew declared that the committee was incompetent to perform its duties as a committee. He had received a letter from a representative of the Federation of Labor, criticising the committee for not taking action upon the bill. Platt (Rep. Conn.) made a point of order against the resolution, and it was sustained by the chair. Pettigrew then offered a new resolution, providing merely that the committee be discharged from consideration of the resolution. It went over. Pettigrew then offered another amendment to discharge the committee on interstate commerce from consideration of the bill to promote the safety of railway employes and the use by the railroads of automatic couplers. It, too, went over.

A resolution previously offered by Allen, calling upon the Secretary of the Navy for copies of Gunner Charles Morgan's letter to Rear-Admiral Sampson, seeking promotion, and the Admiral's indorsement thereupon, together with all correspondence bearing upon the matter, was adopted.

The conference report on the military academy appropriation bill was agreed to, as were the conference reports on the agricultural and consular and diplomatic appropriation bills, and the war revenue reduction bill.

A conference report upon a bill relating to the location of homesteads upon the Fort Fetterman military reservation in Wyoming also was agreed to.

The conference report on the measure creating a commission for the adjudication of Spanish War claims, in accordance with article 7 of the Treaty of Paris, was agreed to, after Butler said he feared the enactment of the law would start a raid upon the Treasury, and Foraker had replied that the total amount of claims now on file was less than $20,000,000.

The Senate then, at the instance of Nelson, considered the river and harbor bill. It carries $50,164,526, a reduction of $9,770,889 from the House bill. A committee amendment directing the Secretary of War to report as to the necessity and desirability of affording protection to rice plantations along the Savannah River, in South Carolina, from the effects of Government work on the river, was made the subject of some facetious remarks by Chandler. He said Tillman had referred to the river and harbor bill as having a "softening and soothing effect upon the Southern section of the country," and he was inclined to think the only object of his amendment was to produce an effect "softening and soothing." The amendment was agreed to. The bill was passed after the adoption of several committee amendments.

The Senate agreed to the House amendments to a bill "for the relief of settlers under the public land laws to lands within the indemnity limits of the grant to the Northern Pacific Railroad Company," thus passing the measure. A House bill to refund excessive postage paid on certain newspapers was passed, also a bill amending the laws relating to the taking of timber from public lands, so that the restrictions shall not apply to the south slope of Prior Mountain, in Montana.

The conference report upon the bill amending the act to provide temporarily for revenues for Porto Rico and to increase the salary of the Commissioner of Education, was adopted. A conference report upon a bill to prevent the failure of military justice by requiring the attendance upon courts-martial of civilian witnesses was agreed to.

Bills were passed as follows: Granting a charter of the General Federation of Woman's Clubs; amending the statutes relating to the fees of United States Commissioners, and enabling deputy clerks of the United States District Courts to administer oaths.

Chandler gave notice that Saturday evening at 8 o'clock he would address the Senate on the resolution declaring that W. A. Clark was not duly and legally elected to the Senate.

Consideration was then begun of the sundry civil appropriation bill, which carries $62,759,780. Without completing the bill, the Senate, at 6:35, adjourned.

Officers of Steel Combine.

NEW YORK, Feb. 28.—A news association of this city says today:

"It is practically settled that President Schwab, of the Carnegie Steel Company, will be selected as president of the United States Steel Corporation, and thre is semi-official authority for the statement that Elbert H. Gary, president of the Federal Steel Company, will be named for the chairmanship of the executive committee. Until today it was generally believed that H. C. Frick would be placed at the head of this committee, but the change in programme is said to be due partly to Mr. Frick's statements to friends that his other interests would not allow him to give sufficient time to the duties of that important position. It appears to be settled that F. T. F. Lovejoy, of the Carnegie Company, will be secretary of the combined company."

PURIFICATION OF NEW YORK

Chairman Baldwin Satisfied With the Work Accomplished.

NEW YORK, Feb. 28.—After a conference with Austin G. Fox and Robert Grier Monroe, counsel for the committee of 15, Chairman William H. Baldwin made this statement, relative to the raids on alleged gambling-houses in the tenderloin.

"I am thoroughly satisfied with what was accomplished. The work as a whole was a complete success, and it was successful in relation to each particular gambling place. Whether the different places were 'tipped off' or not I have no knowledge.

"We did not expect to get any evidence. We had all the evidence before; we went to execute the warrants. There was not an attempt to detain any players as witnesses."

Commenting on the remarks of Lewis Nixon, Mr. Baldwin said:

"Don't make any such mistake. We know who ran the gambling-rooms we raided last night. The names will appear in good time. Those are the people we are looking for, and we intend to get them. We got all we expected to get. We have said from the outset that we are not looking for the little individual offender."

Mr. Baldwin laughingly declined to announce where and when the committee would probably strike next. He continued:

"Suffice it to say that we have not quit nor will we go out of business merely because we have made a single raid. Making a raid is only one step in the plan for a comprehensive campaign. Unless they be followed by arrests and convictions, raids cannot do much good, and the arrest and conviction of petty offenders would not mend matters. Be patient and wait, and we hope to be able to show you who is actually responsible for the gambling that has been permitted and protected by the police."

The committee held its regular weekly meeting, but after a session lasting nearly two hours, Mr. Baldwin announced that it had nothing for publication. A member of the committee explained that they would probably be heard from actively again within a short time.

Austin G. Fox declined to give the names of the other men in dress suits who accompanied him to the tenderloin police station. The impression prevails in some circles that most of them were private detectives in the committee's employ. The committee will meet again next week.

Lewis Nixon, the chairman of the Tammany committee of five, which recently disbanded, has gone back to his shipbuilding yards in Elizabethport, N. J., saying that his official labors in connection with the stamping out of vice in New York were ended. He made a statement just before going away in which he discussed briefly the labors of the committee:

"Our committee was appointed to co-operate with any other body of citizens," he said, "but while a number of citizens came to us with complaints, which were acted upon, no one of the other committees ever expressed a desire to act with us. We were forced to move independently.

"Having now finished my work on the committee I wish to say that whereas I have been freely criticised myself, I have no desire to criticise others. So far as I can say, the result of the Deystreet raid has been such as to shatter the faith of the gamblers in their immunity.

"Having spent three months in this work, taking up a great deal of my time, I feel that I am now entitled to the opportunity to attend to my own business, and in the future I shall not discuss the vice question."

Asked as to whether or not he would give aid to the committee of 15, he said:

"I shall do my share as a private citizen whenever the opportunity offers."

Discussing the difficulties encountered by his committee, Mr. Nixon said:

"You will understand how difficult it is to please everybody. In fact, it seems that we cannot please anybody. Some members within the organization who did not understand our motives thought that we were trying to hurt the organization. The Republicans were dissatisfied because in our work of reform we acted irrespective of whom we might hurt. It acted both ways."

Asked what he thought of the raid of the committee of 15 on gambling houses Tuesday night, Mr. Nixon said he did not wish to discuss the matter, but added:

"If the committee of five had placed the City Hall full of gambling paraphernalia, what would have been said of us? I think that the raid we made could stand as an object lesson. We showed them how to get important witnesses."

ELECTRICAL RAILWAYS.

Emperor William Favors a Change in the German Service.

WASHINGTON, Feb. 28.—It is reported that Emperor William has expressed himself in favor of a complete change in the entire German railway service, according to a communication received at the State Department from Consul-General Gunther, at Frankfort. At a meeting recently held by Privy Councillor Rathenau, a promoter of great electrical enterprises, the latter gave the Emperor detailed information emphasizing the necessity of constructing electrical railways for direct and rapid connection between Berlin and the principal cities of the German Empire. He also brought out the fact that a great national triumph would be gained if Germany could be the leader in the creation of an entire electrical railway system. The German Secretary of War has placed the military line from Berlin to Zoosonat at the disposal of the promoters, who are urging upon the Government this mode of travel for experimental purposes. This line is 18 miles in length and it is hoped that a speed of from 125 to 155 miles an hour can be attained. The cars will accommodate 50 passengers each and will look very much like the sleeping-cars now in use. If these trials prove satisfactory, a great step toward the utilization of electricity as the sole railway motive power will have been gained and, says the Consul-General, "the time will not be distant when it will be possible to travel, for example, from Berlin to Hamburg in a little over an hour in cars which will follow each other at intervals of 10 minutes."

Money Used in Legislature.

DENVER, Colo., Feb. 28.—A resolution was introduced in the House today providing for the appointment of a committee of five to investigate the charges made by Speaker Montgomery to the effect that money had been used to change votes on the revenue bill. At the request of the Speaker, the resolution went over for one day. Speaker Montgomery said he would substantiate his charges at the proper time.

Dyspepsia in its worst forms will yield to the use of Carter's Little Nerve Pills, aided by Carter's Little Liver Pills. Dose, one of each after eating.

FIFTY-FIFTH ANNUAL REPORT —OF THE— CONNECTICUT MUTUAL LIFE INSURANCE COMPANY.

A RESUME OF INTERESTING HISTORY AND A REVIEW OF RESULTING CONDITIONS.

To the Members:

The experience of the year 1900, while favorable, was in no way especially remarkable in the business or progress of the Company. Its chief incidents may be very briefly summarized: There was a fair increase in the premium income and in the amount of insurance in force; as for many years past, the rates of interest on desirable securities showed a general tendency downward; the foreclosure of mortgages, which for several years following the panic of 1893 was for considerable amounts, showed a change for the better, with an increase in the sales of foreclosed property; the expense ratio has been kept at its usual low limit, save in the expenses incurred upon foreclosed real estate, which have been considerable in order to put and keep the properties in good condition pending sale, and which will disappear as sales take place; the mortality of the year, while somewhat heavier than that of 1899, was so far inside the losses provided for by our tables that the saving amounted to $413,362; the market values of securities, which had ruled lower for several years following the panic of 1893, were in great measure recovered; for two or three years we have been able to earn less surplus than for many previous years, during which we had been slowly accumulating small items of surplus in excess of our usual dividend, which, in just such times as have been experienced since 1893-4, become available to maintain for the present the same high dividend scale as for many years past, and until the interest rate and other conditions which affect the surplus earning ability of all companies shall be more definitely settled and the necessities of the future can be better judged.

Steadiness in Dividends.

It is our desire to go as far as perfect safety will permit in maintaining a steady scale of annually decreasing cash cost. The greatest and most uncertain factor operating against us is the continued tendency to a fall in interest, foreseeing which, we, nineteen years ago, changed our calculations from the basis of 4 per cent annual inretest to that of only 3 per cent. The only measurably controllable factors affecting our ability to earn or save surplus are the death rate and the expense account. In respect of these, the care in the selection of risks and the prudence and economy traditional with The Connecticut Mutual are steadily maintained.

The Old Century and the New.

With this very brief review of the general features of the year's experience, and calling attention to the statement elsewhere of the details of our financial operations and condition, we beg to ask your careful consideration of certain matters relating to our own past history, and to the existing conditions of the life insurance business, which seem especially pertinent and interesting as we stand at the beginning of a new century, with a history behind us of 55 most eventful years.

For in that time there have been wrought on a scale of unparalleled magnitude, and by many companies, certain great practical denials of the fundamental principles of correct practice and of business morality, upon their departure from which The Connecticut Mutual has stood and stands at issue.

The True Question.

What, in that time, have we done; how efficiently have we accomplished the one service which life insurance alone can render; how do we today stand addressed to the best rendering of that service in the future; how far are our bases, plans and methods responsive to that special need which life insurance sets itself to serve, and loyal to those facts and principles which, themselves unchanging, must always remain the basis and test of legitimate plan and legitimate method; how, in respect of these things, does our history and present position contrast with those of many others; and do we stand condemned by those things in which some have succeeded, or justified by those in which they have failed, but in which we have succeeded; have we been, are we today, doing right or wrong; have we done, are we doing, the best that can be done for widows and orphans, and for those who must pay its cost?

Financial Summary of Fifty-five Years.

The monetary part of the story is soon told: In the 55 years we have received from our members for ordinary, extra, and annuity premiums, $211,642,969.86; we have returned to them for death losses, endowments, annuities, surrendered policies, and dividends, $207,798,111.81, or 98.22 per cent. For interest, rents, and profit and loss we have had $96,820,545.59; a total income of $308,462,615.45. Of this sum, $207,798,111.81 has been returned to policy-holders as just stated; $27,906,305.69—only 9 per cent—has gone for expenses; $10,418,175.66 has gone for taxes, and the balance, $62,340,022.29, forms part of our gross assets—$64,965,176.15—covering present liabilities and surplus. The payments to policy-holders and the gross assets aggregate $272,763,287.96, or 128.88 per cent of the receipts from policy-holders.

These results of more than half a century have been equalled by no other American company. No other company has returned to its policy-holders as large a proportion of their payments; no other holds as large a proportion of its interest income in reserve; no other has done its business at so small a rate of expense. It has done more for its policy-holders, and at less cost to them, than any other company.

Life Insurance Past and Present.

But that is not all that is of profoundest interest as we stand at the beginning of a new era. To see clearly where we stand today, and what the propriety of our attitude, past and present, it is necessary to review the main features of the development of the business of life insurance during the 55 years of our corporate existence, which cover practically the whole history of the business in the United States.

Fifty-five years ago there was no local business experience to be guided by. The companies organized about that time took as a guide the experience of the English companies as being that most likely to be repeated here. They assumed the mortality shown by the actual experience of 17 English companies, 4 per cent annual interest, and a considerable margin or "loading" for expenses. Their plans were very few and simple. They realized that the right business of a life insurance company was to insure lives and to make that insurance cost the premium payer as little as possible. Commissions and all expenses were pitched on a low scale. Rates of interest were fairly high. No provision was made for any return on lapsing policies. If a premium was not paid all former payments were forfeited to the company, no matter how large the reserve or surplus that had been accumulated from them. This was a very large source of profit, but a great cause of complaint on the part of those who had to give up their policies, especially after they began to learn that not only had their premiums paid the cost of their policies up to the time of lapse, but had also provided a reserve fund which was for the future protection of their policies and was therefore not needed by the company when these policies lapsed and ceased to be a liability.

Dividend Periods.

In view of the lack of experience and the small amount of business, and following again English precedent, dividends were made only at the end of five-year periods, or were not begun on any policy until it had run five years. The profits from forfeitures, the high rates of interest, and the savings from the low expense rate, all contributed, in the carefully managed companies, to make the dividends unexpectedly large. It was not many years before annual dividends became the general practice.

Non-Forfeiture.

Presently, the inequity of keeping a man's contribution to the reserve on a policy which had lapsed and ceased to be a liability, and the current cost of which, while it was in force he had fully paid, began to be more clearly seen and more generally understood. "Non-forfeiture" became one of the strongest competitive attractions. Companies vied with each other in doing "equity" to a lapsing policy-holder.

Changes in Plans and Premiums.

As an alternative to annual premium payments during life, rates were made for the payment of all premiums in a limited period of years, as 10, 15, etc., while the policy covered the whole term of life.

Life endowment policies were introduced, to cover a certain term of years as an insuranse, and payable at their face at the end of the term if the insured survived it. Where the policy term was long enough to cover the period of life when one has others dependent on him, and the policy-holder was so young at the outset as to make the endowment part of his premium comparatively small, and so long as the companies kept their expenses down, this kind of policies served a fairly good purpose, although the endowment feature costs much more in a life insurance company than in a savings bank, because of the much higher rate of general expense.

Along these general lines, which, within judicious limits, were mostly lines of distinct improvement, the development went on without any striking divergence from certain indisputable universally accepted principles governing sound and equitable practice, until about 1870.

New Departures.

The previous decade had seen the formation of a multitude of new companies which copied the plans of the older ones and promised to repeat their success. But, in order to attract agents and get business, they found or felt themselves compelled to pay such commissions to agents, and to incur such other expenses, as to absorb, not only all their surplus, but so much of their reserves as to send the most of them into bankruptcy. In the late '60s the cry had been that no properly organized life insurance company could fail. The early '70s showed that conduct was quite as vital as organization, and that the expense account could bleed to death the most correctly organized concerns; and they died by the dozen.

Motive for New Schemes.

Conspicuous among the competitors of that time were certain companies which were trying to fight their way to the front by such high commissions and other considerations to agents as should draw them away from the more conservative companies, and so build up agency forces that should dominate the field. But their high expenses made such low dividends where those equaling the better companies had been promised, that no agency force could hold their policy-holders, and their business began to decline with alarming rapidity.

The high expenses could not be gotten rid of without losing the agents. There was for them no other attraction. Therefore, the only escape from the fate of so many others lay in some scheme to get the dividend question out of the way for at least a long time; such a scheme was soon found.

Scheme Based on Forfeitures.

The basis of the scheme devised was the very forfeitures which the companies had vied with each other in getting rid of in the name of "equity." "Inequity" was revived for the sake of its profits, put up as a prize for somebody to win. They tabulated and exhibited the lapses of their own dissatisfied policy-holders, showed how large an amount of money their contributions to reserve would amount to, what a great sum these would aggregate at the end of a long period of years, and how few would be left at the end of the period, and how great a dividend each one of those few would get if it were then divided among them.

Illustration.

For a typical example: Taking 1000 persons, insuring at age 37, they calculated that in 20 years, 544 would at one time or another lapse, and 103 would die, leaving only 353 still insured at the end of the time.

So it was proposed that persons insuring should agree that for, say 20 years, they should have no dividends; that whoever lapsed his policy during this period should forfeit to the company all his contributions to reserve and all the surplus which had accrued from his premiums, and that in case of those who died only the face of the policy should be paid, and whatever surplus had accrued should be forfeited to the company; that these forfeited reserves and surpluses should be put in a fund apart until the end of the 20 years, and then divided among those then alive and still insured.

They calculated that with 1000 persons, aged 37, insured for $1000 each, on an annual premium of $28.17, the forfeited reserves and surpluses of the 544 lapsing policy-holders and the forfeited surpluses of the 103 who died would, at the end of 20 years, amount with interest to $400,775.77, to be divided among the 353 supposed to be then alive and still insured, giving each one $1135.34; just about double what each had paid for premiums during the 20 years, not counting interest. And they got eminent actuaries to indorse the estimate.

The Attraction.

It was a bold scheme. The public had just been thoroughly educated to believe that such forfeitures were a gross injustice and hardship to the policy-holder, whose payments were thus confiscated, and to his family, which needed the protection of the paid-up insurance which his forfeitures would otherwise have purchased. The injustice was palpable, and perfectly unnecessary in any healthy company. The hardship was often notorious and severe; and none had been noisier prophets of "equity" than these very companies which now invited men to take their two chances out of three of losing all, for the one chance in three of getting so great a slice of the fruits of the inequity which they had loudly condemned as immoral and cruel. The scheme was offered in the belief that, with very many, the immorality and cruelty would be lost sight of if a sufficiently brilliant speculation in their profits was presented.

Its Popularity.

The forecast was correct. People could not at once turn back upon all their convictions and sense of justice. But the glittering estimates won their way, and men put their own payments and the protection of their families at the hazard of the game for 10 to 20 years, with the distinct agreement,—still in use,—that no accounting shall be made; each is to accept as his true share, and without question, whatever is then allotted him.

Agents no longer presented life insurance for the protection of families, but estimates of "investments" for the policy-holder himself. The larger the estimate the more eagerly it was taken. Success made the companies promoting the scheme very aggressive. Instead of a struggle for existence it became a race for size. Hosts of agents were employed to do the easy work of selling a speculation based on seemingly scientific figures. The scheme took so widely that for a time it threatened to completely supplant and drive out true life insurance administered to its own proper ends. So easily was it worked that gradually, one after another, most of the companies followed more or less completely in the wake of the orginators of the scheme, until "investment" insurance, depending for the "investment" on the forfeitures to be made during the period of "postponement" of dividends, is the dominant feature with most companies. Their contracts are no longer termed "policies," but are "bonds," "gold bonds," "contracts of sale," "debentures," etc., etc. At bottom they are all one thing. The dividend is postponed on the inducement that by the forfeitures of the unlucky many in the meantime, the returns to the lucky few may be correspondingly large.

Estimates Fail and Why.

But the wisdom of estimates has not been altogether justified of her children. The rivalry of the speculating companies in their struggle for pre-eminence has led them to an unheard-of expense. They have written an enormous amount of business; thousands of millions of insurance have been lapsed as expected; hundreds of millions of reserves and accrued surplus have been forfeited as was hoped. But so much has been absorbed by high commissions to agents, by rebates and the many expenses incident to an abnormal rivalry, that the expected results have not appeared; to this the decline in interest has contributed something, but comparatively little.

Estimates and Results Compared.

The details of their failure are extremely interesting.

As we have seen, the calculations in 1871, in the example taken, promised a dividend in 1891 of $1135.34. But the 1891 result was only $433.70.

In 1873 they somewhat moderated their estimate, and put it at $831.70; but they paid only $379.70 at the end of the 20 years in 1893.

They continued to make this same estimate until 1878, when they again reduced it to $623.70; they used the same estimate, $623.70, in 1881, and are paying in 1901 only $297.70. The differences between estimates and actual dividends in the 10 and 15 year postponements are still more striking.

New Stimulants Needed.

Obviously, such wide discrepancies between estimate and result, between brilliant prospect and comparative failure, pointed toward the ultimate break-down of the speculative attraction, and other novelties of plan and practice began to appear by which to incite agents and draw the public.

Concealment of Forfeitures.

Much criticism of the forfeiture investment schemes, as a gross injustice alike to policy-holder and beneficiary, has led the companies to adopt forms of contract as remote as possible from life insurance policies in form, and called by every sort of name suggesting "investment" instead of insurance.

Commissions and Rebates.

Agents have been attracted and stimulated by commissions and allowances from two to five times what they were 30 years ago, and have, in their turn, used these to stimulate the public by giving away in "rebates" to new blood whatever was necessary to secure it, until, in many of the companies, a new insurer can get—if he stands out for it—a rebate of from 50 to 100 per cent of his premium, drop his policy at the end of the year, go to another rival and repeat the process each year, so long as he is willing to take the risk of being able to pass a new examination.

This makes business easy to get but hard to keep, as the lapses of such companies show.

Competition by Liberality.

Another means of stimulating business has been the rivalry in "liberality." It began in dropping more or less of the defenses against fraud. Fraud may be committed in two ways: The applicant may deceive the company by false statements as to his family or personal history, habits of life, present condition, etc., so that it issues its contract when it would not have done so had it known the truth, or issues it at a different rate from what it would have charged had the real risk been disclosed; or, he may willfully destroy his own life, causing loss when there should have been none. All these things, if successful, cost; and the cost is borne by the policy-holders who do not deceive and do not willfully destroy themselves. It is therefore the duty of a company's managers to protect honest policy-holders against such frauds and losses. When one is asked to make a contract based on the statements of the other party to it, he has a right to know the truth of them, and to be absolved from his promise if they prove to be false. That is the simplest equity and morality. That is the rule in every other kind of contract.

Incontestability.

The first "liberality" proposed was, that if a man could conceal his deception for a year or two, or three, his policy should be "incontestable," no matter how gross the fraud. Rivalry has caused such liberality that now some companies call their policies incontestable from the very outset; if the deception once passes muster its later discovery will be disregarded.

Will Courts Permit Fraud?

There is, however such a thing as "public morals" and a "public policy" in regard thereto; and the courts are in the habit of regarding fraud and contracts permitting fraud as offenses against public morals; and forbidden by public policy, and of dealing with cases of fraud accordingly; and it is not probable that, in the end, fraud in life insurance will be found to be less fraudulent, more laudable, or more conducive to commercial and public morality than fraud in any other matter. If the courts permit it in life insurance, they must permit it in all transactions. They can permit it in any case only if there is no difference between right and wrong, and if the truth and a lie are of equal moral and commercial value, and of equal safety for the public. Permission to any fraud is an invitation to all fraud.

Liberality as to Self-Destruction.

Another liberality is permission to destroy one's self in any manner and make the rest pay for it. No company would, in these days at least, contest a claim growing out of a suicide which was, under any fair presumption, the legitimate outcome of disease. But the cowardly suicide of a sane man—and there are many of them—is a distinct fraud against men who have the courage to live, and the honor to fight the battle of life fairly, and stay by their families.

Annual Cash Values.

Another liberality is the "annual cash value," by which one may, any year, demand back from the company his contribution to the reserve, thus at will changing the transaction from insurance to a savings bank deposit.

The whole theory of life insurance and all its calculations are based on the duration of its insurance contracts to natural maturity. Only so can it fulfill its special purpose, secure that average experience which gives security to its undertakings, protect itself against those fluctuations of mortality and in general financial conditions which might otherwise be destructive of a company's existence; and only so can the business be handled in a manner to give the lowest cost. The annual cash value makes it possible to wreck or cripple a company in a year. Its policy-holders may all withdraw, or so many of its healthiest lives may withdraw, taking its quickest and best assets, leaving only impaired lives to cause an abnormal death loss to be met with reduced income and poorer assets, as to leave it unable to continue business with advantage or even safety. That is no true liberality to those whom life insurance undertakes to protect, for whom it was created and for whom it should be administered. Life insurance companies cannot serve as savings banks without danger of destruction or of serious impairment in efficiency for their own special purpose. However willing they may be to take up their policies for cash when the conditions make it convenient and safe to do so, an agreement to do it at any time and under any conditions, adds a distinct element of danger to the future.

Loans on Policies.

Another and kindred liberality is "loans" on policies, by which the policy-holder has the privilege to borrow his contribution to the reserve, pledging his policy as collateral, paying or not paying his debt as he pleases; and he rarely pleases to pay. This was adopted to meet the stock argument of the assessment companies: that a man should pay each year only the mortality cost for that year, and keep the reserve in his own pocket.

This again is a seeming liberality to the policy-holder, but not to the family out of whose policy the loan must finally be paid. No one who has seen the hardships and the disappointments to families caused by such settlements can covet the task of having to make them; no man who stops to realize what it means to his family can willingly leave such a shadow on his memory. Life insurance is a sacrifice of one's self for the imperative and unavoidable duty he owes his family. Loans and cash values are the sacrifice of his family for himself.

The liberality to the policy-holder himself is less than it it made to seem. Under the usual forms of policies the reserve increases so slowly that no considerable sum could be borrowed until after many years.

For instance: A man insured at 25 for $10,000, with an annual premium of about $215, would pay for 40 years before he could borrow $5000. His policy would then be virtually cut in two, but he would still pay his $215, and 5 per cent interest in advance, $250 more, in order to get his reserve back into his own pocket; and when, as is often the case, tiring of this, he gives up altogether, there is little or nothing left to give his family paid up insurance which, but for the loan, would probably have amounted to $7000 to $8000.

Present Status of Competition.

Out of all this, the situation as respects the life insurance business—that which is offered the public in its name, and the methods by which business is promoted, by the great majority of companies—has developed into this: There is practically no attempt to sell life insurance as such and at annual cost; it is not offered unless men insist on having it, and the agent gets but a very small commission for selling it; the companies push and pay the high commissions for some sort of "investment" bond or contract; the essential feature of the investment is the forfeitures which can be worked into it. This takes time; so dividends are deferred for five, 10, or 20 years—the longer deferred the higher the commission—in order to secure as many forfeitures as possible. All contract safeguards against even wholesale frauds, are practically abolished, and the protection of honest policy-holders is left to what the various courts may regard as expedient for public morality. The companies are, by the annual cash value, putting their corporate integrity, and the validity of their insurance contracts, completely at the mercy of those who, for personal convenience, or in a panic, may wish to withdraw, taking with them the good lives which give a safe average mortality, and the funds which alone make the insurance contracts secure. By "loans on policies," which are rarely paid by the borrower, they offer him every facility to sacrifice to his personal convenience as large a part of his family's protection as he can borrow; and, to crown all, the fight between the companies which do all these things is made mainly by "rebates" of premiums, carried to such a degree that devices are now being adopted which may enable a company to dispense with any legal reserve liability for the first year, leaving almost the entire first year's premium available for expenses; a device which can be extended to any number of subsequent premiums when the exigencies of competition which have caused its use to the extent of one premium, shall have so grown by what they have fed upon as to require the absorption of more.

Where the Connecticut Mutual Stands.

During all the long struggle out of which this situation has developed, and amid the many schemes devised to attract public attention and favor to something else than life insurance, the attitude and position of the Connecticut Mutual has never been doubtful.

It has held to the cardinal facts: Life insurance is for the protection of those dependent on a man's life; their dependence makes it his unavoidable duty. Those dependents we assume to protect by our contract, at his personal cost; our duty to them is to make that protection as large, as secure, and as certainly available to them as possible; our duty to him is to make its cost to him as small as possible.

These things are axiomatic; and certain definite and indisputable propositions grow out of them. Our policies should be framed in every detail to give the protection intended to those for whom it is intended. They should not set up a scheme of speculation in the forfeiture of that protection by those dependent on it, nor of his payments by the man who has paid for it. The inducement to a policy should be the protection it offers; the motive in taking it should be the faithful performance of his unavoidable duty by him who has made others dependent on his life. Business should be gotten by educating men to this standard of duty and of its performance, and not by changing the business into something else, and something which appeals to selfish interest first and leaves duty to take its slender chance in a 5 to 20 year lottery.

Annual Dividends, and Why.

The cost of the protection to the man paying for it is the difference between the premium charged on the face of his policy and the surplus returned to him. In this adjustment he pays his actual share of the mortality and expenses, and is credited with his share of any surplus interest earnings. The savings from mortality, expenses, and interest are determined each year. Each year the company knows just what his risk has cost them to carry; therefore, each year the man should pay that cost and no more. In other words, as the cost of each policy is annually determined, the surplus, if there is any safely divisible, should be annually returned, so that only the actual annual cost is annually paid.

The only proper reason for deferring dividends is either that there is nothing to divide, or that there is something in the condition of the company or its business which renders a division highly inexpedient.

What Deferred Dividends Conceal.

Annual dividends put the management of a company to a constant test. Deferred dividends put off that test to the end of a long period of years. By annual dividends a man knows all the time just what his insurance is costing him. With deferred dividends he cannot know what its cost is until the end of the period, if he lives and holds on; but if he dies before that time, it will have cost him too much by the amount of surplus forfeited, and if he lapses it will have cost him too much by the amount of surplus forfeited, and also by the amount of reserve forfeited to still further increase the surplus.

The annual dividend is a steady and powerful incentive to prudence and economy. The deferred diivdend gives a wide and long opportunity for the extravagance and consequent high cost which it was originally invented to conceal, and which have been further enhanced by the rivalry made possible by taking some of the deferred dividend material to use in more vigorous pushing for business.

Reason of Our Own Course.

Holding such views, our course has not been optional. Our duty has been not to offer something else than true life insurance on its own right lines because it could easily be made popular, but to try to make the true thing popular by telling the whole truth about it, by administering it in its true spirit, working out its own proper results in our own company and letting these stand in judgment against the results of the expensive "investment" speculations. We have appealed only to those who desire life insurance only for the protection it gives, and not for the speculation that can be made of it. Therefore have we refused to follow any of the methods of the speculators. Such changes in policy plans and conditions as experience has shown to be desirable have been freely made. Every condition not found to be necessary to the proper protection of honest men and the soundness of the company has been eliminated. But we have not built with one hand and, with the other, prepared the way to tear down. The Connecticut Mutual remains a life insurance company.

Expenses Cut in All Business but Life Insurance.

One of the most striking incidents of the last 30 years has been that general and extensive reduction of expenses in all commercial, manufacturing, transportation, and other enterprises, by which only have these enterprises been able to prosper in face of an unprecedented competition. Present profits are largely, and often entirely, savings by reductions from former expenses. Lower cost is the strongest factor in general business competition. So it should be in life insurance, of all things. But so it is not. The expense account of the companies pushing the deferred dividend investment schemes is from twice to three times the former standard of the most prudently managed companies. But, the dividend thereby affected being so long put off, the fact passes long unnoticed. When at last settling day comes, the striking failure of the dividend to realize the estimate is explained on other grounds than high commissions and expenses.

We have refused to compete in this way. In order to maintain the low standard of cost to the great body of policy-holders we already have we have kept expenses down to the old standard, and added only such business as could be had on the same terms.

The Difficulties of Our Course.

It must not be supposed that the maintenance of our position in all these matters has been free from difficulty. The high commissions of those companies have tempted away many of our former agents, and made it the more difficult to get others. Our agents with fair commissions, with no margin in them for rebating, have worked up business only to see it taken from them by men whose commissions and allowances are such that they can rebate from 50 to 100 per cent of the premium, and yet have enough left to compensate their work. But, happily, we have been able to get and to hold as agents the men who take their work so seriously that they will not tempt their client to speculate in his family's protection, or, for higher pay, place him where his policy will cost him more than it ought.

Adverse Criticism.

The position so steadfastly held by us and the efforts we have made from year to year to set forth the simple truth and expose the true character and evil effect of the demoralization whose growth we have here sketched, have, as a matter of course, brought upon us criticism and misrepresentation without stint. Success in getting business by estimates, which have not been half fulfilled, has been cited as the complete justification of that method. In the heat of speculative competition, we have been labeled with every epithet signifying want of enterprise, ultra conservatism and lack of the modern spirit.

Even the extraordinary persistency with which our policy-holders have continued on has been, ignorantly, perhaps, alleged as a danger because older men die faster than younger; as if the calculations of all companies must not and did not amply provide for the whole mortality of its membership and not merely for the younger or middle-aged part of it.

It is in the great multitude of lapses and surrenders that the companies offering "investments" hope for a profit; it is by the staying solidity of our membership that we can get those best results which we seek.

However agents of other companies might strive against each other, they have joined to attack the Connecticut Mutual. Insinuation, depreciation, slander, can do in a moment and by a word that which much time and many words may fail to undo. The abundant defamatory literature of other companies has been supplemented by the highly paid services of certain insurance journals.

Effect on Our Business.

And all this was not without effect. It hindered our business. From 1874 to 1885, our amount at risk declined from $185,366,633 to $151,391,588 before the tide turned. "Dry rot" was alleged to have set in, and the extinction of the company to be in sight. Meantime we went on educating a clientage to the idea of insurance for its own sake and at its lowest cost, recast our premiums and reserves for new business on a 3 per cent interest basis in 1882, and were laughed at for it—though all are now following that lead—bided our time, and waited for the results of long deferred dividends to appear; and they have appeared as already narrated, in a steadily diminishing stream.

Failure of the "Investment."

As a device for investment the scheme has failed; as a device for cheapening the insurance of even those who live to test the hope deferred, it has failed. For the simple annual dividends of the Connecticut Mutual, with no speculation in them, are exceeding the outcome of the estimates; and no man's surplus and no family's paid-up insurance has been taken to do it with. Let an example serve: Fifteen years ago one of the deferred dividend companies issued a $10,000 15-year endowment policy, at age 35, at a premium of $678.50, on an estimate that the dividend would be $4980. In its settlement, just made, the dividend was only $2010. Was it worth while, for this 40 per cent of an estimate, to run the risk for 15 years of losing all? The same year the Connecticut Mutual issued a policy of the same kind, amount, at same age, at a premium of $689.00, annual dividends, which the insured preferred to leave with the company to accumulate until his policy should mature. His dividend, just paid, is $3162.80; and neither it nor his policy has been at the risk of forfeiture.

The Tide Turned.

Our amount in force has slowly risen from $151,391,588 in 1885, to $161,566,603; our assets, from $54,383,649.95 to $64,965,176.15; meanwhile, we have returned $17,292,820.45 in dividends, and have increased our surplus from $4,557,977.91 to $7,191,348.44, and notwithstanding the fact, that by reason of our few lapses and the persistence of our policy-holders, our business has attained an average age far greater than that of the deferred dividend companies; with their enormous lapses, our mortality has been far inside that predicted by our tables and which we were prepared to meet.

That is not the kind of "dry rot" that destroys its victim or impairs its vitality. It seems more a process of sound growth and fruitfulness than that of decay. It is not the size of the company, but what it does for its policy-holders, that most concerns them. We have not been racers for size; we have striven for the highest quality of performance. Those of our members who are insured in other companies know how far we have succeeded. We are many times more than large enough for absolute stability and for the accomplishment of the highest results to our policy-holders. We shall be glad to extend our service to such wider clientage as we can secure without increasing the cost of our policies either to the new or to the 68,000 present members, who are our first care.

It is with such a history of performance and of fidelity to true standards, rewarded by unparalleled results to our members, that we offer our service and our simple best endeavor to those whose families need protection, and who themselves wish that protection to be secure, and to pay only its lowest cost.

Respectfully submitted.

JACOB L. GREENE, President.

Hartford, February 9, 1901.

POWER OF THE PRESS.

St. Clair McKelway on Its Influence on the Bench.

NEW YORK, Feb. 28.—About 200 members of the Brooklyn Bar Association attended last evening a reception and dinner given by them in Brooklyn in honor of Judge Edgar M. Cullen, of the Court of Appeals. Responding to the toast, "What the Courts Can Learn From the Press," St. Clair McKelway said:

"Now, what can the bench learn from the press? It can learn, I think, for the history of the press constantly teaches the public that the greatest benefit and the surest and longest fame are involved in the promulgation of fundamental principles on the line of moral right in their application to human contentions and to all conditions of government and of men. The newspapers of notoriety will stand for an example of the perishable influence of mere sensation. The newspapers of power and of principle will stand for an example of the permanence of justice, candor, fairness and self-respect. And the judges who are but for a day and the judges who are for all time point the same distinction and personify the same difference.

"The decisions or the opinions which have made nations or set them forward, or which have added to the world's wealth and moral and political security, have come from judges in touch with the world as well as with the library, and sympathetic men as well as those saturated with books.

"I was greatly impressed with the statement that I lately saw attributed to John Marshall. It was that he used to say, 'This is the decision of the court. Brother Ellsworth will please discover the authorities to fit it.'

"That is the way great editorials are made, and the authorities for them can always be found in the logic and in the conscience of an enlightened citizenship."

NO USE FOR MILITIA.

Van Wyck Says He Will Never Call Out the Guardsmen.

NEW YORK, Feb. 28.—Mayor Van Wyck has informed members of the Armory Board that the National Guard will never be called out by his orders. Brigadier-Generals Butt and McLeer resented the Mayor's reflection on the guard. General Butt had asked for an appropriation for a rifle range for the Thirteenth Regiment, of which Colonel David Austin is the head. General Butt explained that soldiers who could not shoot were of no use.

"They don't need to shoot in this city," said the Mayor. "With our excellent police force there is no use for militia."

General McLeer turned quickly toward Mayor Van Wyck and said:

"There have been strikes when the services of the guard were called for."

"Not since I have been Mayor of New New York," was the retort. "You nor any one else will have to call them out while I am the chief executive of the city. The police force is capable of handling any and all disturbances, and there will be no shooting."

When the remarks of the Mayor were repeated at National Guard headquarters officers of General Roe's staff were amazed.

"I cannot understand how the Mayor would stand for such a statement," said Colonel N. B. Thurston. "But for the services of the militia last year at Croton Dam, the whole of New York might have been without water. A little dynamite would have done the work."

Destination of Rejected Chinese.

SAN FRANCISCO, Feb. 28.—Collector of the Port Stratton has received from Washington a Treasury Department ruling which has an important bearing on Chinese immigration. In the past Mr. Stratton has declined to permit the destination of Chinese whose right to land at this port was denied to be changed to foreign contiguous territory, on the ground that they might enter this country by crossing the border from British Columbia or Mexico. The department rules that while the reasons given by Collector Stratton sustain the expediency of such a policy, they do not show the requisite authority of law.

Secretary Gage has sent to Congress a resolution providing that Chinese must be taken back to the place whence they came, if rejected. Until the resolution is adopted, however, the steamship companies will be at liberty to land Chinese at neighboring foreign ports if they are denied a landing here.

Attorney-General Griggs has directed United States District Attorney Combs to use all possible efforts to co-operate with the state authorities to suppress the slave traffic in Chinatown.