

Q. Those are expenses that would naturally increase with increasing difficulties of the association?—A. Yes. What I said in regard to the legal expenses was, that it was due to increase of suits caused by the re-apportionment.

Q. Speaking generally, what would be the general cause of it?—A. To a very large degree, the increase in those expenses, is due to the difficulties the company has had to overcome during this period, arising in a very large degree out of the manner in which business was done in the early part of the company, the creation of the impression that the rates on which business was done were level rates that would never be increased, and the creation of a condition of mind among the policy-holders, which, in order to carry forward the company and discharge the contract, had to be disposed of by the increasing of the rates.

Q. Two statements have been filed, exhibits 40 and 41, by Mr. Patterson, the first statement showing the cost of new business to the association in certain stated years, and the second the cost of new business in, I believe, the same years, to other companies. Have you any remark to make concerning those statements?—A. I have to say simply, that that is Mr. Patterson's opinion as to the distribution of expenses between old and new business. As far as the figures are concerned, I have checked them up only as far as regards the Mutual Reserve for the year 1901, and those figures are correct; but what I was speaking of was his declaration that those were the cost of new business. They were not returned by the company as the cost of new business at all, and they are not all of them figures or amounts that are caused by the doing of new business. For instance, the salaries of officers and employees, one-half is charged to new business. The fact is that a good deal more than one-half is necessary, because of the old business of the company, and so I might go through it. The distribution is simply his expression of opinion as to what is the cost of new business, and what is not the cost of new business. He has presented some figures for comparison, picking out three companies. One is the Aetna Life, which does two branches of business, and the officers are the same in the life and accident branches, and he has made the divisions in the same way. The second is the Equitable, and he has made the divisions in the same way. Why he took that company I do not know, but I call attention to the fact—

*By Mr. Coster, K.C., Counsel for the Committee :*

Q. He has charged the whole of the expenses of the Aetna Life?—A. For the purpose of comparison, the company that does two branches of business, would not be as fair a comparison as one that confined itself to the one branch of business. I have not checked up the figures—the Equitable is the second one, and the Northwestern Mutual is the third. These three, I presume, were selected for some reason. I have not checked up 1901 and 1903, because when I was at the department for the purpose, those volumes were not at the department. I have checked 1902, and I call attention to the fact that the charge for the business of the Equitable in 1902, although the Equitable paid \$988,000 in salaries to officers and employees, no portion of that is carried into the cost of new business. On the other hand, you take the Northwestern, and the entire salaries are carried in. Take the Northwestern Mutual, and he has carried in the entire amount of salaries of officers and office employees, and he has charged nothing for printing and stationery. The others I have not been able to check. I did not regard it as very important; because it is simply an opinion, as to what particular expenses belong to new business, and what do not. There is no such division made by the department.

*By Mr. Geoffrion, Counsel for the Mutual Reserve :*

Q. When an insurance company is in difficulties, the cost of obtaining new business does increase unavoidably?—A. Yes, and any arbitrary for ascertaining what portion of certain expenses goes to new business, must certainly be inaccurate, unless there is some correspondence between the amount of new business written to the amount of old business in force.