

Dinkelspiel's character was known to be bad. On this point the testimony of Mr. Beers before the Trustees' Committee in 1887 was as follows:—

"With reference to this gentleman's habits with regard to gambling, etc., he is very fond of horse races, and, I have heard, plays poker a great deal, but I have no personal knowledge as to this. I am not an admirer of his character. He associates with some of the best people here and, perhaps, some of the worst. He is what is called a lightning solicitor. I only wish this man was of a different character. His character, morally, is reported as not being the highest standard, but I have no personal knowledge; but we cannot always look into that. Mr. Dinkelspiel has been connected with life insurance, I suppose, sixteen or seventeen years. He was originally employed as solicitor in our Canadian agency under the direction of Mr. Walter Burke, our manager, under another name from that which he is now known by.

Q. What was that name?

A. I don't remember.

Mr. Strong: Mr. Banta says it was Mr. Lewis.

Mr. Beers: I believe that is the name. The reason, I think, was that he got into a scrape about a lady in Louisville, and hence removed to Montreal under an assumed name. He worked, I do not know how long, until he got into some very bad habits, and our manager came here and said, "Mr. Beers, I can't manage this man any longer. He keeps me walking the floor nights, and I am afraid some day he will do something wrong for which you hold me responsible." I said, "Very well, Mr. Burke, if you can't walk the floor, I do not want you to. You had better terminate arrangements."

He came to New York and went into the employ of the United States Life. He worked for them several years. I think he worked for them three or four years and then resigned. He got into some difficulties about money matters, although he had done a very large business for them. He came to me when he first came to New York and said he was coming to the United States to work. I told him I did not want him then, my place was filled; but if ever he got out of his present place to come and see me.

One day he came to me, probably ten years ago, and said: "Mr. Beers, I am dead broke. I have got to pay some money—a debt of honor—I cannot get any more money from the United States." I said "What do you want, Dinkelspiel?" He replied that he wanted so much money. I told him to "come and see me to-morrow." He had gotten so that his general reputation was much improved. I had an interview with the President of the United States about him, and they told me that they could not handle him, he was too big for them, but I could.

I made a contract with him, which was a very low one, and paid his debt amounting to some three or four thousand dollars. He went to work and was out of debt, if I recollect correctly, in thirty or sixty days. He has given me more anxiety than any other ten agents I have. If the men he insures are insured right, the business is good.

Q. Do you think the Board of Trustees, now that they know his character, can properly allow him to remain with the company?

Mr. Beers: It seems to me, and I am honest in the expression of this opinion, if I were a trustee I would leave it to the officers.

So much for Mr. Beers' knowledge of Dinkelspiel's character. He was continued in his position until about the close of 1889, during which time he reflected great discredit on the company by his misrepresentations which he made in obtaining business. There is no record here of his having done any business for the company since 1889.

On May 1st, 1889, the ledger account showed Dinkelspiel's indebtedness to be \$345,163.68. Various items, principally rebates, to the amount of \$24,243.13 have been charged against the account since that date. The interest from May 1st, 1889, amounting to about \$39,000, has not yet been entered. During the same time the account has been credited with sundry items amounting to \$1,305.08. It is also said that commissions amounting to \$43,668.92 have accrued on this account but have not yet been entered, as also two items of cash amounting to \$15,130, which had formerly been debited to the account but afterwards paid. This leaves a balance of \$348,282.29 due to the company by Dinkelspiel on October 31st, 1891. Interest at the rate of 5% per annum has been regularly charged up to this account on the money advanced and credited on payments made thereon. The net amount charged for interest is \$53,867.78. There are also rebates charged up against the account to the amount of \$201,402.62. These rebates are on policies issued prior to our anti-rebate law. Mr. Stamford says that Dinkelspiel claims that he was to be debited with only one-half of the rebates. Mr. Beers says, in answer to the question "is Mr. Dinkelspiel entitled to one-half the rebates charged to him?" "My impression is that he was; some of them. I do not know whether it was all or not." Mr. Beers also says that Dinkelspiel was not legally chargeable with interest on the advances, because there was no understanding about it when the advances were made. The only clause in any of the contracts relating to rebates is one which provides that on certain policies issued in Chicago, and two policies in New York, Dinkelspiel should be charged with only one-half of the rebates. This account has been running since January, 1881. Money seems to have been advanced to him in very large amounts, even when his account was largely overdrawn. As an illustration, the following amounts of \$10,000 and up-

wards were paid to him at times when his account was overdrawn in excess of \$100,000:—

September 15th, 1883.....	\$10,000
February 27th, 1885.....	10,000
June 2nd, 1885.....	10,000
March 25th, 1886.....	10,000
June 4th, 1886.....	25,000
December 15th, 1886.....	20,000

Also numerous payments of smaller sums.

The total amount of commissions credited to Dinkelspiel's account from 1881 to October 31st, 1891, is \$294,354.42, in addition to which he was credited with salary amounting to \$69,875, being at the rate of \$625 a month from February 10th, 1881, to April, 1883; and at the rate of \$1,000 a month from April, 1883, to September, 1887. The amount of commissions to which Dinkelspiel is entitled seems to be rather indefinite. On his contract of 1881 he was allowed five renewals. By a subsequent understanding he is to have five additional renewals on the same business, and Mr. Beers now states that Dinkelspiel is entitled to continuous renewals on all his business. For the year 1888, a new contract was made with Dinkelspiel, giving him very large first commissions, with a proviso that if he did \$3,000,000 of paid business that year he should have an option of changing it into a renewal commission for a term of years, a portion of the first commissions being charged back to him. The amount of business on which premiums were paid that year was not much in excess of one-half this amount, as the company was obliged to cancel a large amount of business taken in California because of his misrepresentations. Mr. Beers, however, waived the conditions, and the renewal commissions are allowed to him and have been made continuous, that is to say, as long as the policies are in force. A slip of paper pinned to this contract states that the commissions on business of 1889 are to be on the same basis as for 1888.

We are unable to find any records showing that these renewals have been made continuous; that is done by Mr. Beers simply directing the accountant to credit Dinkelspiel's account with them.

If interest is to be charged against this account it is not likely that the indebtedness will ever be reduced to a lower figure than the balance above stated, as the renewals, although made continuous, do not equal the interest and rebates, and as lapses and deaths occur, the amount of the renewals will decrease. As stated above the total amount of commissions credited to Dinkelspiel since January, 1881, is \$294,354.42, while the rebates charged up against him during the same time amount to \$201,402.62. A comparison of these figures will show the extent of the rebate evil.

Incidentally it may be mentioned, that among the items which helped to swell Merzbacher's deficit was a loan of \$3,500 to S. L. Dinkelspiel on March 1st, 1887, and another of \$1,706.24 on October 30th, 1888, which have never been repaid.

CHARGE 4. "They have allowed the interest on the mortgage of "said agent to remain unpaid nearly three years without taking any "steps to collect it."

The company applied all money received from Dinkelspiel to his personal account rather than to the interest on his mortgage, as the latter was considered to be better security than the former, and so it has proved to be, as the interest amounting to several thousand dollars was recently paid to the company by the holder of a second mortgage.

In the early part of this report the methods of bookkeeping employed in this office were characterized as devious; in support of this, in addition to the instance heretofore given, it is only necessary to state that the general ledger of the company does not show the true condition of any of these accounts. For instance, on June 30th, 1891, the general ledger showed that the Spanish American Department owed only \$170,163.96; that L. C. Vanuxem & Co. had a credit balance of \$20,157.94, and that S. L. Dinkelspiel's account was balanced and closed. The accounts, as we have detailed them above, were obtained as follows:—

The Spanish American Department account was obtained from a special private ledger in which there are no other accounts but this. Dinkelspiel's account was obtained from a private ledger called the "sub-ledger." Vanuxem & Co.'s old account was obtained from the same sub-ledger; and Vanuxem & Co.'s new account, the one showing an indebtedness of \$406,000, is not verifiable from any of the books, the account being obtained from what is called "L. C. Vanuxem & Co.'s Financial Statement," which consists of the monthly accounts fastened together as they come in. There are other accounts in as bad a condition as these, but it is believed that you have sufficient information in the foregoing statements to enable you to form an opinion of the character of the agency business and its management. It is no wonder that a protest has been made against the expense of conducting the business.

The work of ascertaining the condition of the several accounts has been a tedious and perplexing job. A very great portion of the time spent in this examination was taken up in learning, as above stated, that the books of the company, as kept by its bookkeeper, do not exhibit the true condition of the accounts. Another difficulty experienced in this work was that so many of the entries on the different agents' accounts are governed, not by the express terms of the contracts, but by the verbal orders of the president, of which no record is kept. "Concessions," "allowances" and "extensions of renewals" were made to agents whenever the president thought proper to do so,