

were informed by the Superintendent of the Insurance Department of New York, that La Roy S. Gove, who had insured his life in said Society, about one year previous, for the sum of \$2,500, has presented certain grave charges against the directors and management of said Society.

Whereupon the President of the Society addressed the following letter to the Superintendent:—

"January 6th, 1871.

"HON. GEO. W. MILLER, Superintendent of the Insurance Department of the State of New York.

"DEAR SIR,—The Counsel of this Society has handed to me a copy of charges with specifications sworn to by a policy-holder. As some of these charges and specifications have not the slightest foundation in truth, and in other cases are grossly exaggerated, and the truth perverted, and as I fully believe each charge admits of the fullest and most complete explanation, I have felt it my duty to address to you this communication.

"Conscious that the affairs of this Society have been conducted by the officers with a high integrity of purpose, and with a view to the best interests of the policy-holders, and have nothing to conceal as to the condition of the Society, or the manner in which its affairs are conducted. I would respectfully request that in the exercise of that authority conferred upon you by law, and appointment to your position as Superintendent of the Insurance Department, you would institute such investigation into the condition, affairs, and transactions of the Society as you in your discretion may consider that the presentation of these charges demands.

"Feeling aggrieved that charges so unfounded should be preferred, jealous of the honor of the Society and its officers and directors, I would respectfully solicit, that with as little delay as possible, you would give your attention to the subject.

"I am, very respectfully,

"Your obedient servant,

"(Signed), WILLIAM C. ALEXANDER, President."

The Superintendent subsequently replied that he would commence an examination of the Company at as early a period as his official duties will permit.

Before an examination had been made by the said Superintendent, a person, professing to be the representative of a newspaper in this city, called upon the officers of the Society and informed them that this newspaper had in its possession, for publication, a copy of charges against the Society, made by La Roy St. Gove, and that he, the professed representative of the newspaper, was prepared to enter into a negotiation for their suppression. The officers refused to pay for such suppression, and the charges were thereupon published in the newspaper which the person claimed to represent.

The Directors of the Society again requested the Superintendent of New York to make the examination without delay. But in consequence of the legislative examination of the Insurance Department of this State, the Superintendent was unable to give it immediate attention. The Directors also requested the Commissioner of the State of Massachusetts to make an additional or concurrent examination, which he consented to do, and has associated with himself the undersigned, to assist him in the investigation.

Upon assembling at the office of the Society, the undersigned at once entered upon the investigation of Mr. Gove's charges made to the New York Insurance Department, and since widely spread before the public in printed form. The Massachusetts Commissioner, at the meeting called to make the investigation, stated

that he caused Mr. Gove to be notified in writing of the investigation, and had invited him to furnish testimony in support of his charges and presented the affidavit of personal services of the notice upon him.

Mr. Gove did not appear or offer any testimony to sustain his allegations.

The minutes of the Society and of the several Committees, the account books, cash books and cheque books of the Society were then laid before the undersigned and carefully examined. The officers of the Society, and such other persons as the undersigned desired, were examined under oath, and each specific charge was carefully and exhaustively inquired into, and the undersigned certify that, excepting a clerical error in publishing among the list of paid policies a contested claim, which error was rectified as soon as discovered, the charges and specifications are untrue and malicious. The amount of the policy referred to was returned to the Insurance Department as a liability in accordance with the rules of the Department with regard to contested policies, which fact corroborates other testimony, showing that the error was merely clerical.

The undersigned, following in their investigation the order in which the charges and specifications are presented, find:—

1. That the Society possessed the legal power to erect their building, which contains the offices of the Society; at the corner of Broadway and Cedar streets, and the undersigned refer to the opinion of Prof. Theodore W. Dwight, respecting the same.

2. They further find that the erection of the building was a wise and judicious measure, and, is a safe investment, yielding an increasing annual income of more than five and a half (5½) per cent, leaving the Society free from rent for its own offices, and if the value of the offices occupied by the Society is taken into account, we are of opinion that it has no money invested to better advantage.

3. They further find, that in reference to the compensation of the officers, both the method of payment and the amount paid as charged, are untrue. From the evidence submitted to them, the aggregate sum paid for salaries by the Society during the first eleven years of its existence, as compared with its income during the same period, produces a ratio at least as favorable as that of any life company—for the same years from 1860 to 1870 inclusive—organized during the year in which the Equitable was organized, or since that time, or even prior to that time, with the exception of two, the preliminary expenses of those two companies not being taken into account in the estimate, because they were organized more than fifteen years previous to 1860.

4. They further find that no loan was made on the 20th of September, 1870, or at any other time, upon the New York Central and Hudson River Railroad stock. But they find, on the contrary, that no loan has been made by the Society except upon securities authorized by and in accordance with the law.

5. The charge that the building Committee or any of the Directors are or were interested, directly or indirectly, in the quarry from which the stone for the building was taken, or pecuniarily interested in any other contract of the Society, was most carefully and minutely examined, and the undersigned declare the charge to be both false and malicious. On the contrary, the undersigned find that the erection of the building in all its details was carefully watched over by the Directors and particularly by the Building Committee with as much attention as a prudent man gives to his own business.

6. That the mode of loaning the money of the corporation was particularly examined and meets the approval of the undersigned, who

find the charges of favoritism wholly unfounded, and other things being equal, principals are given the preference over brokers.

7. The Secretary of the Society, who formerly was in business as a fire insurance agent and general broker, relinquished the charge of the fire insurance business of this Society when he became connected with it three years ago. The Secretary has not attended to the fire insurance business of the Company, and no director or officer is or has been interested in such business, nor has the Secretary loaned money on policies as charged.

8. It is proved to our satisfaction that the Directors of the Society have not loaned the money of the Society to themselves upon securities not allowed by law, and that no loans have been made through the favoritism of its Officers and Directors on inadequate security, or contrary to law.

9. In the opinion of the undersigned, the Directors, so far from having managed the affairs of the Society wastefully or extravagantly, have managed them prudently and successfully, and have made no false returns to the Insurance Departments.

10. The rates of commission paid to agents as charged, are untrue stated. No salaries are paid to agents in addition to commissions.

11. They find from the testimony given by the Officers and Directors, that the establishment of an agency in Great Britain has not proved a failure; that the agent sent there is not inexperienced in the insurance business; that he receives no salary, but that his commissions are guaranteed for three years to an extent of \$10,000 per annum; and that the result of his labors, in introducing the Society's business there, has been satisfactory to the Board of Directors.

12. The charges that money has been wastefully spent upon the building is sufficiently answered by our opinion of the investment.

13. They further find that the Society does not falsely advertise itself as a mutual company. The necessity of a capital stock arises from the fact that before the organization of the Society, laws were enacted in New York requiring all companies organized after such enactment to have a capital stock, and to make a deposit of one hundred thousand dollars with the Insurance Department as a guarantee to policy-holders. The annual dividends upon this stock are limited to seven per cent. This amount is nearly earned by the capital; all of the profits are divided amongst the policy-holders; the stock bears no such market price as is charged, and as no unlawful gains can be made thereon, the ownership of the stock can only be desirable for the protection of the Company. The provision as to a stock management is not concealed from policy-holders, but on the contrary, the Directors are of opinion that it forms one of the greatest safeguards of the Company.

14. In conclusion, the undersigned desire to say, that they are unable to find an honest motive for the presentation of charges so totally unfounded. This investigation has shown only an honest efficient management of the Society. The Massachusetts Commissioner, with Professors Theodore W. Dwight, of Columbia College Law School, and Junius B. Wheeler, of the West Point Military Academy, will at once proceed to examine the details of the management of the Society from its foundation, and Messrs. Upton, Spaulding, Latasa, Kelly, Schwab, and Fogg, will examine its assets and investments, which the undersigned will report upon as soon as the investigations are concluded. From the wide publicity given to these charges, it is thought best to make this report upon them at once. The undersigned desire to express their unqualified approval of the action of the Society in resisting the attempt to extort money from it under color of these