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that the attitude of the people of a State is one of the determining factors in influencing capital to come or stay away. A concrete example of this truth, occurring within life insurance circles, is furnished by the history and results of certain legislation in Texas. I refer to the statute of that State commonly known as the Robertson Compulsory Investment Law. This law provided that no life insurance company could do business in the State unless it invested 75 per cent. of its reserve on Texas policies in Texas real estate, Texas mortgages, or Texas State, county or municipal bonds, or in the securities of a restricted class of domestic corporations. Here was a legislative attempt, as the name of the act implies, to *compel* investments in local securities, to use legalized force in the gentle art of marketing its promises to pay. Not content with the steady but sure processes of the law of supply and demand, and a sturdy reliance on the value and attractiveness of its resources to influence favorably and in a natural way, the flow of capital to it, the State embarked upon a coercive policy, which its advocates claimed would increase the volume of investments at once. Let us see what happened.

EXODUS OF LIFE INSURANCE COMPANIES FROM TEXAS.

The requirements of the law immediately forced twenty-three of the best life insurance companies in the country out of the State. This action pleased the stock jobber and the insurance company promoter, as it gave them the opportunity, which they very thoroughly improved, to reap a golden harvest in the fields thus vacated. The politicians, however, not realizing in their blindness that they were killing the goose that laid the golden eggs in their impulsive desire to gather them all at one fell swoop, and who had not really intended to give the State such adverse advertising as these withdrawals did give it, set up the hue and cry that the action of the companies was not taken in good faith, but in a spirit of revenge and retaliation. They could not see what has been seen clearly since, that the question was national, not local, and that the companies could not temporize with such a law in one State unless they could live and successfully operate under it in every State in the Union, were this same law adopted. With the exit of the companies went the greatest opportunity Texas ever had of enjoying a strong, steady and what would have been an increasing flow of money to it for its development. Instead of realizing what it had, the State deliberately blocked the channel through which investments were coming to it, and deflected the current into the nearby States of Oklahoma and Louisiana and elsewhere.

THE SERVICE OF LIFE INSURANCE.

The primal interest of the public in life insurance is in the service it renders. The time is past when argument is necessary to prove the virtue or the necessity of it. Financial strength, honest management, a maximum of service for a minimum of cost,—these are the conditions and abilities demanded. These the laws on the subject and the supervision of government are designed to secure.

However we may theorize about the nature of a company, or however strongly we concede that in the last analysis it is nothing more nor less than an aggregation of individuals banded together that all

may share the risk of death which each one is under, the fact remains that the legal relation between the policyholder and the legal reserve company is that of two contracting parties. The company agrees to furnish protection,—to insure the life, to pay at death or on a prior maturity of the policy; the policyholder agrees to the terms of the policy, one of which is that he shall pay a certain price,—the premium—at the times stated in the policy. The transaction is one of purchase and sale,—the corporation sells, the individual buys.

RESERVE FUNDS OF POLICYHOLDERS.

To the end that the company so permitted to sell its policies may beyond peradventure be able to deliver the goods contracted for, that is, pay the face of the policy on its maturity, the States by practically uniform law, have provided that the company shall set aside a part of each premium paid and accumulate it as a reserve, so that when the time of payment comes, sufficient assets will be on hand to discharge the obligation of each policy. The amount of the reserve to be so carried as against such policy, is arrived at under a law of average. The addition of these amounts is what makes up the so-called "reserve funds" of the companies and, of course, the larger the company, the more policies there are outstanding, and the larger is this fund. No matter how large the fund, however, we must not forget that it is accumulated not by a corporation greedily for the people's money, nor because of any nefarious or reprehensible practice, but because in the interests of solvency, and under the light of experience, the law insists that such accumulations be made. We should, therefore, disabuse our minds of any prejudice concerning these funds. Their existence under government supervision guarantees to the policyholder that when he dies, the face of the policy will be paid to his beneficiary, and when he dies the money is paid in large part *from* that fund. So in the very nature of this system these reserve funds will be paid to the policyholders or their beneficiaries in due course on the maturity of the policies. Notwithstanding the fact just stated, however, nor the fact that the parties stand in the legal relation of buyer and seller, not content with the care which the law now exercises in many other ways in the interests of solvency to the end that the people may have no opportunity to buy anything but *valid* insurance, not content even with the laws which in the majority of the States prohibit the companies from selling to the people any form of policies which have not been approved by the supervising government department as fair and equitable, the advocates of compulsory investment legislation go farther and say that in the handling and conservation,—the investment of the reserve funds, the management of a company should be directed by law under coercion of penalty, as to where and how those funds should be invested. That is the principle of the propaganda. That is the meaning of the slogan "Keep reserves at home."

RIGHT OF POLICYHOLDERS TO BORROW.

Let us examine it more closely. I have said that no policies can be issued without the approval of a supervising department, and under the requirements of present law and practice, no policy can be issued unless it contain a provision whereby the policyholder can borrow an amount substantially equal to the