

date under the sole charge and control of said Joseph S. Neff of said firm (but conducted in the firm name) subject to the following conditions:—

1st. That said Neff shall retain every month from the moneys received by him on account of business done by said L. C. Vanuxem & Company for said New York Life Insurance Company or on account of business connected therewith, of whatever name or nature, the amount of seventeen thousand dollars, which amount, or so much of it as shall be necessary, shall be expended by him in defraying the cost of carrying on said business as set forth in said statement A, and the amount so retained by Neff shall constitute an indebtedness from said L. C. Vanuxem & Company to said New York Life Insurance Company as against all compensations receivable under existing agreements.

2nd That said Neff shall, at the end of each month, account in detail to said New York Life Insurance Company, with accompanying vouchers, for the disbursement of the amount retained, as provided by section 1st, and shall remit any surplus together with the proceeds of any notes, accounts, loans, or of any other assets of any kind and nature belonging to said L. C. Vanuxem & Company which may be received by him to said New York Life Insurance Company, for the credit of the afore-said floating indebtedness and of any indebtedness that may accrue under section 1.

3rd. That said Neff, in remitting as aforesaid, shall report in full for all premiums received, free from any collection fees, commissions, renewals, bonuses or other charges except commissions to sub-agents not receiving advances or guarantees as provided by their respective agreements.

4th. That said New York Life Insurance Company may, at its option, discontinue or reduce any payments or advances enumerated in said statement A, except such as are guaranteed by contracts of said L. C. Vanuxem & Company, and except the monthly payments provided therein to be made to William L. More and Joseph S. Neff, which payments are hereby guaranteed to them as profits during the continuance of this agreement; that is, said payments shall be a charge against the business of said L. C. Vanuxem & Company, and said More and Neff shall not be called upon in any case to refund said payments.

5th. That this agreement shall continue until the income of the parties hereto, from their business as agents of said New York Life Insurance Company, shall so exceed the cost of carrying on said business that said floating indebtedness of said parties to said company, and also any indebtedness that may accrue under section 1, shall have been liquidated and shall cease thereafter.

6th. That it is distinctly understood and agreed that this agreement shall in no wise affect any agreements now existing between L. C. Vanuxem & Company and the New York Life Insurance Company, and that said agreements shall continue as to all parties thereto in full force and effect, except as herein stated.

In witness whereof the said parties hereto have hereunto set their hands and affixed their seals the

Signed) L. C. VANUXEM. (L. S.)
" WM. L. MORE. (L. S.)
" JOSEPH S. NEFF.

Sealed and delivered in presence of

R. H. CARPENTER.

In consideration of the execution of the above agreements and the appointment of said Joseph S. Neff as financial manager of said firm as therein set out, this company hereby approves said agreement to take effect from 1st May, 1888 and agrees to the method and time of payment as therein provided the indebtedness of said firm therein specified.

(Signed) WM. H. BEERS,
President.

Then follows a list of the items of the annual expense of conducting the business of Vanuxem & Co., aggregating \$201,149.27. Included in this list is the following item: "Special account as per agreement with the company of \$4,166.66 per month.....\$50,000." As above stated, the old account was reduced at the rate of \$50,000 per annum, which amount is realized by borrowing on this new account. The balance due on this new account on October 31st, 1891, was \$406,393.56, exclusive of interest.

Another item which must be added to the balance due by Vanuxem arises from the following circumstance: Another agreement was made with Vanuxem & Co. in 1889, under which they were to receive an additional advance equal to 15 per cent. of the second year's premiums and 5 per cent. of the fourth year's premiums, such advance to be a lien on the renewals accruing on 15 payment policies from the eleventh to the fifteenth year and on twenty payment policies from the sixteenth to the twentieth year. This amount was duly advanced, but the debt is immediately cancelled by Vanuxem & Company taking credit on their monthly statements for an equal sum as commissions earned, and, preposterous as the claim is, it has been allowed. The total amount thus taken as a credit as earned commissions, but which will not be earned until many years hence, is \$59,456.08, bringing the total of Vanuxem's indebtedness up to \$750,521.56.

Adding interest to the monthly balance will make this account stand as follows on October 31st, 1891:—

Balance due on old account, August 17, 1887.....	\$35,468.92	
Less 45 monthly payments of \$4,166.66 each.....	187,500.00	
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Accrued interest at 6% per annum.....	\$163,968.92	
	67,700.00	
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Total amount due on "old account" ..		\$231,668.92
Balance due on "new account".....	\$406,396.56	
Interest accrued thereon at 6% per annum.....	53,000.00	
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Total amount due on new account.....		459,396.56
Commissions to accrue in 11 to 20 years credited on Vanuxem's account as earned commissions.....		59,456.08
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The interest above mentioned has not been entered on the books of the company against Vanuxem. Being asked the reason for this, Mr. Beers states that Vanuxem & Co. were not legally chargeable with interest, because "nothing was said about interest at the time of making the advances." Now, in the report of the examination of Mr. Beers by the Trustees' Committee in 1887, referring to the balance due by Vanuxem & Co., the question was put to him, "Do they pay interest on advances?" Mr. Beers' answer was, "6% per annum, although they have made repeated application for a reduction of rate." This statement was made in extenuation of the charge that the advances were exorbitant. Now, Mr. Beers evidently deliberately intended to deceive his trustees in making this answer or in making the contract last above quoted.

This statement was made by him on October 27th, 1887, and we find that on May 15th following he made the agreement above quoted, leaving out the question of interest altogether, and now gives that as a reason why Vanuxem & Co. are not legally chargeable therewith. Vanuxem & Co. have no incentive to reduce the amount of their indebtedness. It does not cost them anything to borrow money from the company or to remain its debtor. In fact, they may, even now, be engaged in loaning this money out of interest, or otherwise using it for their own gain. Referring to this account in 1887, Mr. Beers stated to the committee: "I expect in three years that this account will be entirely clean on books of company, and they will not owe us a dollar." Mr. Beers does not seem to have been a very good prophet; instead of the account being paid off, the indebtedness has more than doubled, as shown by the figures above.

In his examination by the trustees in 1887, Mr. Beers testified that the reason they had so much advance was for the purpose of enabling them to get new business. Now, the business done in Vanuxem's agency is about the same in amount as that of the Spanish American Department. If there is anyone who knows how much money is required by the agents, it is Mr. Sanchez, and, in his proposal to the company after the Merzbacher defalcation, which was accepted and made part of the contract of December 16th, 1890, quoted above, he proposed to settle each and every account, with a check for the balance due thereon, with the understanding that he should have money advanced him to the extent of \$100,000. Now, if \$100,000 was thought by Mr. Sanchez to be a sufficient advance, the amount loaned to Vanuxem & Co. is certainly extravagant and unnecessary for the proper conduct of the business, and on all advances the company should require payment of interest, as the existence of a life insurance company depends in a great measure on the earning capacity of its assets.

But it is doubtful if this agreement of May 15th, 1888, does authorize an increase in the indebtedness existing at the time it was entered into. It seems to provide only for the adjustment of Vanuxem's commissions of one month with another, so that, if they fall below \$17,000 in one month, they may be able to meet their expenses for that month; and in case the commissions do not reach \$204,000 in any one year, Vanuxem may draw up to that amount. The company's security for this indebtedness consists in the renewal interest of Vanuxem & Co. The renewals for the year 1890 amounted to less than \$110,000. The amount of this renewal interest does not justify the making of such large advances.

Mr. Banta, in his charge, intimates that these advances are given to Vanuxem & Co. because they obtain proxies for him. We hardly take that view of it. Few agents would refuse to do a favor requiring so little trouble for the man who employs them at such profitable work.

By the device of allowing L. C. Vanuxem & Co. a collection fee on all premiums collected by them on which they are not entitled to renewal commissions, and fixing such collection fee at the same rate as their renewal commissions, the renewals of this firm are made continuous on all policies as long as they continue to act as agents for the company.

S. L. DINKELSPIEL.

Another agent referred to by Mr. Banta as having received excessive favors from the company was S. L. Dinkelspiel. He also charges that