

OUR NEIGHBOURS' SUPERVISION OF INSURANCE.

(Their Methods Criticized by Comparisons.)

In a recent article under this heading, we ventured to criticize the system of supervising insurance companies in the United States. We contended that not only is the system of investing a State appointed official with almost supreme power over the insurance business dangerous because of the more than strong possibility of this authority being vested in some incompetent person as a reward for political services, but the insurance laws of each State vary so much, are so subject to change, and are, in many cases, so fearfully and wonderfully made, that the wholesale retirement of companies from some particular State is not infrequent, the "supervision" is more than suspected of being a shameless counterfeit, and is absolutely useless as a means of furnishing reliable information to the insuring public. That the deplorable and ruinous muddle recently caused in the State of Arkansas by hasty and ill-advised legislation is not frequently duplicated is doubtless not ascribable to lack of inclination on the part of the law-makers, but to some slight knowledge of the incalculable confusion and possible loss their action may cause to property owners.

Since giving expression to these opinions of our neighbours' need of a "national statistical bureau of insurance," as advocated by the "Journalist," with an abolition of all the existing laws for the supervision of the insurance business by local Governments, two German commissioners, accredited by their Government to the authorities at Washington, have arrived on this side of the Atlantic in search of information regarding New York companies doing business in Germany. Of the visit and work of these Prussian inspectors the New York "Evening Post" says:—

"For almost the first time in the history of life insurance, New York companies are being examined by officials who conduct their investigations in a businesslike way without fear or favor of any sort. When the Prussian Commissioners, Von Knebel-Doerberitz and Von Bieberstein, arrived in this country a fortnight ago, insurance men expected intelligent service, but they scarcely looked for the independence which has characterized the demeanor of the visitors while here. As soon as the foreigners had presented their credentials at Washington, and visited the Insurance Department at Albany, they began the inquiry into the affairs of American life companies which are seeking re-admission to Prussia. They entered the office of one company, called for particulars respecting its methods of doing business, etc., and settled down to work. They paid for their own luncheons, and other expenses. They sought information, not entertainment. And it seems likely that they will get pretty nearly what they ask for, too.

"This is quite different from the American idea of supervising insurance companies. Only a year ago, two examiners from a Kansas town swooped down on the New York companies and collected from one concern alone \$656 for a few hours' work. They were incompetent, and their examination was valueless, but they held the proper credentials from the Kansas Insurance Department, so opposition was of little avail.

If the company had rejected their demands, its license could have been revoked, and profitable connections destroyed. The same ordeal, in one form or another, is repeated each year at some insurance centre of the country until now underwriters have become accustomed to the practice, and many long for a national scheme of regulation in place of the various state systems of supervision as affording the only hope of relief. One bureau at Washington governing all branches of the business, would, it is argued, save millions to policy-holders, and prevent the abuses which now exist. However this may be, it is probably true that the heads of the large companies would be glad to try the experiment if it could be attempted without offending the spoilsmen now in office. But the position of Insurance Commissioner is lucrative, and politicians would, it is thought, be likely to make trouble for companies found favoring the abolition of such an office."

John A. Finch, of the Indianapolis bar, in reviewing "The Possibilities of National Supervision" at the last convention of insurance commissioners, called attention to the fact that "the primary and ostensible purpose of the creation of the insurance departments of the states was for the protection of the policy-holders," adding: "I would welcome an effort that would test the right of Congress to enact a law creating a bureau under one of the departments that would change the present system of having forty-five bureaus doing or attempting to do what one efficient bureau could better do. Such a bureau could only affect companies doing interstate business. It would not affect the states in their regulation and supervision of local companies. Such a bureau would be a vast saving to the policy-holders, and should afford them a greater protection than they now have. Would such a law be constitutional? Upon this the Supreme Court would have to pass. The educational effect of the passage of such a law, even if it be declared unconstitutional, would be very valuable. The mere effort to procure the passage of such a law would be educational. If the people and policy-holders shall ever come to see that they are suffering vast and needless expense by reason of present legislation, supposedly in their interest, there would be hope for a change in our legislation by congressional action, by modification of state statutes affecting companies, or by the creation of a public sentiment that would be as effective as legislation to remove many of the existing evils so loudly complained of."

The evident growth of the feeling that their present system of so-called supervision of the insurance business is radically wrong augurs well for an early reform, and the removal of existing abuses.

When the journalists of the United States indulge in such fearless criticism of the laws of their own country, we are supported in our previously expressed belief that the practical common sense of our neighbours, when applied to the task of finding a remedy for this scandalous evil, will not fail them, and, for the sake of "foreign" companies doing business in the States, the signs of a much needed change are welcome.