

THE IDEAL LIFE ASSURANCE COMPANY.

At the recent meeting of State Insurance officials at Columbus, Ohio, an address was delivered by Mr. James W. Alexander, president of The Equitable Life Assurance Society, on "The Ideal Company." Although there is nothing in the word itself to justify the conclusion, the word "ideal" is very generally regarded as referring to such a high degree of excellence as is not obtainable in practical life. The great Dr. Johnson expressed this common opinion in the words: "There will be always a wide difference between *ideal* and *practical* excellence;" but there is no fixed standard of ideality in regard to anything, the ideal of one man, of one race, of one age being wholly different from that of others. Mr. Alexander is too level headed to be seeking for perfection in a life company, but he fixes the standard high enough to be reached and high enough to satisfy all practical needs. The ideal company he regards as:

"First of all, one whose officers and directors are high-minded, honourable, experienced and skilful men, who have no aims in the business other than to subserve the interests of the policyholders. Nothing, in my opinion, is so important as character in the management. As President Roosevelt succinctly expressed it in a recent address: 'It is character that counts.' I do not mean mere honesty in the handling of money—that is a very inadequate criterion of character. The officer who would, for the sake of outstripping a competitor in business, pursue a course which he knows to be prejudicial to the interests of the policyholders, has not the kind of character to which I refer. The officer who would abuse the power he holds for selfish purposes at the expense of the policyholders has not the kind of character to which I refer. The officer who allows himself to be guided in his measures by the desire to injure his competitor rather than to benefit his own company has not the kind of character to which I refer. The officer who would deliberately take dangerous chances in order to make his wares cheaper or more popular, has not the kind of character to which I refer. The officer who would knowingly adopt deceptive measures, or encourage his agents to do so, has not the kind of character to which I refer. There are cynics who affect to laugh at every expression of desire to maintain a lofty standard of ethics in administration. I am not frightened by them. It is sufficient for me to know that it is honourable to have high aims, and profoundly to desire to attain them. Every one in the company over which I preside, from the highest officer to the humblest clerk or most inconspicuous agent, knows that he will be commended for living up to the strictest principles of our business, and that questionable methods will meet with no encouragement. That the same is the case in many other institutions is not to be doubted."

In placing *character* thus in the front rank of ideal requirements Mr. Alexander lays, as it were, a solid

foundation on which a company and each of its officers must build if endurance is sought. He proceeds to lay the first course of the ideal structure as follows:

"The next element in the ideal company is, that it should be conducted on the cash plan. The old note system, which was found to be so objectionable, has practically disappeared, but it is at least a fair subject for debate whether the prevailing practice of loaning on policies is for the highest interests of the policyholders. Every man who insures his life and then creates a mortgage on his policy by borrowing on it, defeats to that extent the object of his insurance, and deprives his family of just that much of the protection originally contemplated."

While this is so there are circumstances which render the borrowing on a life policy a perfectly innocent transaction. The need of the policy may have ended by the family being otherwise provided for, or some unforeseen conditions may have arisen to render a loan indispensable even to the family's welfare. Borrowing on a policy is, therefore, not necessarily censurable. Other features are thus described:

"The ideal company will exist in honourable rivalry with other ideal companies in such a way that it will not be forced to do many things which the best of them do now, but which might be wholesomely avoided if the present artificial public demand, created by the insistence of agents and the complacency of their principals, did not make it practically impossible for any company alone to refuse to meet that demand. I refer, with reference to the opinion of others to such matters, among others, as loans on policies, excessive early cash surrender values, extended assurance and ordinary rates of premium in localities of less than normal salubrity, and for extra hazardous risks.

"The ideal company should conduct the business for the exclusive benefit of the policyholders; in other words, on the mutual plan. It matters not whether the company is organized with or without stock capital. This is a mere question of control or statutory requirements. The fact is that I know of no form of corporate government so well secured against improper use of power as that of the life insurance companies. The abuses common among the industrial, transportation and other commercial combinations are not only practically impossible among life assurance companies, but the opportunity for personal aggrandizement, which lies at the root of those evils, does not exist among us. Happily, there are well-managed companies on the cheap-premium plan, and their managers are entitled to great credit for escaping the dangers that beset that plan; but in the ideal assurance company there should exist no such peril.

"In the ideal company the premiums and the re-insurance reserve should be computed on the most conservative tables of mortality and rate of interest. As to the mortality tables, it is not likely that much difference of opinion will exist among the companies,