

REGISTRATION OF LIFE POLICIES A PREVENTIVE OF FAILURE.

To the Editor Monetary Times.

A repetition of the same cause which brought so many English Life Companies into the Court of Chancery, and produced such disaster among policy-holders in Great Britain, and loss of confidence in Life Insurance generally, has made its appearance in America. Mismanagement, incompetency and official dishonesty; the old story repeated. There is, however, a difference in extent; as the watchful care of Superintendent Miller in "closing up" the American Companies has protected the policy-holders from any great loss, and will eventually re-insure their risks in a solvent company.

It proves conclusively that human nature is very much the same under like circumstances in all countries and ages; and that Americans are not any more honest than English officials, unless deprived of the power to become dishonest. The recent failures appear to have been due to the fact, that, in the intense competition to which they were subjected in extending their business, they entirely overlooked the necessity of keeping the Reserve Fund, required by law to re-insure their risks, intact and in an available form. Hence the necessity for further legislation and Government supervision, that will effectually prevent large assets on paper from disappearing when required to pay legitimate losses.

We claim that the Registering of Policies, as provided by the Registry Laws of the State of New York, fairly meets this desideratum, and prevents the possibility of a failure; and our claim is substantiated by the highest official opinion.

Hon. William Barnes, in his report of 1869, says: "If in the future history of Life Insurance Companies in this country, evils and practices are developed subversive and destructive to the public interests, an appropriate remedy can be provided by making the Registration of policies compulsory instead of voluntary on the part of the companies."

Under this system the company must possess the requisite legal reserve fund according to the valuation of the State Actuary (not the valuation of the company), which Reserve Fund must be invested in first-class securities—bonds (State and U. S.) and mortgages—and these securities must be deposited with the Superintendent of the Insurance Department, for the security of the holders of Registered Policies.

Every Registered Policy bears on its face the official certificate of the Superintendent of the Insurance Department; that it is "secured by pledge of Public Stocks, Bonds or Mortgages," and these are the only securities that can be deposited for that purpose; and the holder of the Policy knows when he receives it, that the State of New York holds the requisite funds to make that policy safe. And he knows, further, that these funds cannot be used for any purpose except to protect his interests. Hence so long as the State of New York is solvent, a registered policy is an absolute security.

It is but simple justice that the policy-holder should have the security given him, because the funds in equity belong to the assured, being composed mainly of the life-long accumulations arising from the premiums which he has paid. It may be very inconvenient sometimes to officers of a speculative turn of mind to have the funds placed beyond their control; but surely it is a great satisfaction to the policy-holder to know that these assets are fixed by statute; that their character is unquestioned; that they are always available; and being held by the State, which becomes responsible for them, they cannot be squandered, stolen, or lost, and are placed beyond the reach of speculation, mismanagement, or fraud.

It has often been stated by some of the advocates of the system that the State of New York is

pledged to the holder of each Registered Policy for its full payment. It must be confessed that, in one sense, this is not strictly correct; that is, the State is not bound to pay the face of the policy in the event of the failure of the Company, without reference to the death of the policy-holder and the continuance of his part of the contract. The State cannot force the policy-holder to continue his premiums, and could not agree to pay the policy in full without such continuance. The State is only liable for the safe keeping and "proper application" of the Reserve on each Policy; but who will venture to deny that the life and integrity of the Registered Policy are not thus fully preserved, even though the Company should become a total wreck? Neither State nor Company could guarantee more than "the proper application of the Securities deposited" with them. Assuming that the liability of the State extends no further than in the language of the Act, "beyond a proper application of the Securities deposited," that is all that is needed. What insures the payment of any policy, in any Company, but "the proper application" and investment of the Reserve year after year? And which is likely to be the most faithful guardian of our interests, the Government or the Company?

Yet, "It is often asked," says Superintendent Miller in his report to the Legislature of New York for 1870, "If this be so, (that the State is not liable, 'beyond a proper application of the securities deposited,') wherein lie the advantages of the system? They consist of the following assurances":—

1st. That the legal reserve according to the Department computation, is faithfully set aside to meet the company's liabilities.

2nd. That such reserve fund consists of securities of the highest class, and which have passed not only the examination of the officers and counsel of the company, but also the scrutiny of the Department.

3rd. The obligation of the State that the deposits shall be faithfully kept and applied.

4th. The impossibility of any loss, or great inconvenience even, from the loss of any policy, a duplicate always being on file in the Department and a copy obtainable on application.

Perfect assurance that a company has, securely invested and in entirely safe keeping, the amount which, by the legal standard, will be sufficient to meet its liabilities, is about the highest security which can reasonably be expected. This assurance would seem to be fairly the result of the registered policy system. It certainly removes all question as to the amount of a company's reserve fund being made up of fictitious items, or assets which look large on paper, but fail to meet expectations when wanted to pay losses. There are but few of our non-registering companies but which credit themselves with items of assets, to make up the required reserve, which would be entirely unavailable as a deposit under the registered policy system. There are many who believe that this system should be made compulsory; that the public interests demand that the Legislature should provide this protection to those interested in Life Insurance. The Superintendent, however, in this as in other particulars, is inclined to think it the better policy to leave both insurer and insured unrestricted by law to the widest possible degree compatible with ultimate security. If investigation discloses that companies are not honestly and carefully reserving assets to an amount and of a character adequate to meet their ultimate liabilities, a remedy will very likely be provided by the Legislature compelling the adoption of this system. Hon. GEO. W. MILLER, Supt. Ins., Dept. N. Y.

Another query is frequently propounded, viz.—If a registered Policy offers so much better security to the insured, why do not more companies avail themselves of its advantages? The explanation of the opposition given by some of the older Companies to the "Registry system," and the answer to the above query, is readily given by Supt. Miller, in the following:—"There are

few of our non-Registering Companies but which credit themselves with items of assets, to make up the required reserves, which would be entirely unavailable as a deposit under the Registered Policy System." How could a Life Company with its reserve composed of over 60 per cent. of premium notes and loans and some other assets of doubtful character, register its policies?

But two companies recently closed up were young, but age did not save the officers of the "International," and "Albert Life," from disgrace, and their policy holders from ruin. Circumstances may and death must change the directory of the oldest companies; hence, in a contract looking so far into the future, security is a primary and dividends, ratios, &c., a secondary consideration.

The ATLANTIC MUTUAL is the only company in Canada that can issue Registered Policies.

H. C. ALLEN,
Manager, Brantford.

Toronto, 15th Feb. 1871.

Meetings.

HURON AND ERIE SAVINGS AND LOAN SOCIETY.

The annual meeting of this Society was held on the evening of the 1st February—E. W. Hyman, Esq., President, in the chair. The annual report and financial statement were read by the Secretary and adopted by the meeting. The retiring Directors, Messrs. E. W. Hyman, Chas. Stead, and C. W. Kent, were re-elected. At a subsequent meeting, the late President having declined re-election, John Birrell, Esq., was appointed to that office, Chas. Stead, Esq., being re-elected Vice-President.

REPORT.

The Directors of the Huron and Erie Savings and Loan Society, in presenting their Report of the transactions of the Society for the year 1870, have again to congratulate the Shareholders on its continued prosperity. During the early part of the year, a large amount of money in the hands of private parties was thrown upon the Market for investment in the Counties which form the Society's principal field of operations, thus retarding, in some degree, the investment of the Society's funds. Notwithstanding this, however, your Directors have succeeded in lending during the year, upon thoroughly satisfactory securities, \$188,963.38; and in addition to this sum, the accepted applications for loans in the Solicitor's hands, at the end of the year, amounted to \$25,000.

After a very careful consideration, your directors decided, in the month of July last, to pay the Solicitor's charges in all cases where loans are made. They are satisfied that the increased business resulting to the Society by advancing to applicants the amount of their loans without any deduction for investigating the title, or preparing the mortgage, will more than compensate for the outlay. The system of having the lands upon which advances have been made personally inspected by a competent officer of the Society is still continued; and your Directors feel satisfied that the increase in the working expenses occasioned by this inspection, is fully compensated by the additional check it provides against imposition by local valuers.

The paid up capital on the 31st December, 1870, was \$484,120.29; the increase over that of the preceding year arising solely from the payments made on accumulating stock, your Directors not having found it necessary to issue any new stock. Though the profits of the year would have amply provided for a dividend of 10 per cent., your Directors thought it advisable to still further increase the Reserve Fund. They have, therefore, paid two half-yearly dividends of 4½ per cent. each, and have carried \$13,171.06 (about 2½ per cent. on the paid up capital) to the credit of the Reserve and Contingent Funds, which now