

ment. Bonuses, prizes and rewards based on the size of policies, or on the aggregate of insurance written are recommended to be prohibited. Commissions should be a fixed percentage of the premium for each \$1,000 of insurance and be agreed upon in advance. It is also recommended that renewal commissions be limited to four years and to a certain percentage, say, 10 p.c. of first year's commission, so that the general restrictions placed upon the first year's expenses should not be evaded. Loans and advances to agents should be prohibited.

#### DEFERRED DIVIDENDS CONDEMNED.

The committee disapproves of deferred dividends as it considers there is no reason why dividends should not be declared annually. If the deferred dividend is to be supported it must be on the ground that there should be no interference with freedom of contract, but freedom of contract should yield to public policy.

The committee considers no reform more imperatively demanded than that companies should be compelled to exhibit annual accounting of the results of their management.

#### STANDARD FOR VALUATION OF POLICIES.

The committee recommends that a minimum standard for valuation of policies other than industrial be established, so that preliminary terms in the valuation of policies issued after 1906 should not be permitted. A legal minimum standard should be fixed by the Superintendent of Insurance.

Assessment companies should be compelled to maintain a reserve not only equal to the proceeds of one death or disability assessment, but at least equal to the cost of insurance for two policies in accordance with the experience table of mortality until the next call.

Any reserve provided for by the articles of association or by-laws or the contracts with the members of any life insurance company should be charged as a liability in accordance therewith.

#### REBATES, SURRENDER VALUES, SURPLUS, ETC.

It is recommended that any person receiving a rebate be regarded as equally guilty with the one who gives it.

As to surrender values the insurance in the absence of notice from the policy-holder should be automatically continued for its full amount so long as the reserve on his policy will justify.

The committee recommends an annual accounting and annual distribution, the companies to protect themselves against fluctuations in values by the accumulation of reasonable contingent funds.

As to non-participating policies the committee believes the mutual companies and stock companies chartered to transact business on the mutual basis, or holding themselves out as transacting business upon the basis, should be forbidden from writing non-participating policies.

The committee recommends a repeal of the existing law which provides that action by the attorney-general should be a condition precedent to an order, judgment or decree for an accounting, and that the matter should be left subject to the general provisions of the code relating to actions against corporations. This is to provide an easier remedy for policy-holders in case the funds belonging to them through the opportunities offered by deferred contracts have been wasted through lax and corrupt

administration, and that the shares of profits for policy-holders have not been determined by secret and arbitrary methods of commutation, but that policy-holders have been denied an opportunity to seek relief in the courts.

Standard forms of policies are recommended to be simple in form and clear and concise in terms to be approved by the Superintendent of Insurance and the issue of other policies be prohibited.

#### SECURITIES AND OTHER PROPERTIES HELD BY COMPANIES.

The committee recommends that companies be required to make public in their annual statements details of their holdings of real estate and all other property and the value at which it is held, also details of all loans, commissions paid on sales, legal expenses, money expended in legislation, pay of all officers, death claims resisted, or compromised, profits and losses for the year, rates of annual dividends declared, all dividends apportioned on deferred premium policies and reserve and surplus funds.

The violation of any of the provisions of the law should be made a misdemeanor. The law needs amending to make clearer the penalties for false entries in books and omissions in annual accounts.

#### THE STATE OF NEW YORK INSURANCE DEPARTMENT.

"The committee considers that the Superintendent of Insurance had ample power to correct administrative abuses. But, the report states, that the supervision of the department has not proved a sufficient protection against extravagance and mal-administration. Annual statements have been received and filed in many instances without sufficient detail to exhibit the real efficiency or honesty of the management. Nor has there been suitable effort to detect and expose evasions of the departmental requirements and the resort to artifice and double-dealing in order to avoid a true disclosure of the companies' affairs. Even the infrequent examinations of particular companies would have availed in many instances to disclose the conditions made apparent by the committee's investigation had they been rigorously conducted with the purpose of exposing whatever abuses existed.

It is recommended that further powers be conferred in the department and the report says:

"Most of the evils which have been disclosed by the investigation would have been impossible, had there been a vigorous performance of the duties already laid upon the department, a vigilant watchfulness in the interest of the policy-holders, and a courageous exercise of the powers which the statute confers."

#### CENSURES OF DIRECTORS AND OTHER OFFICIALS.

The committee passes severe strictures upon certain officials and their transactions, respecting which there have been already comments and statements made so fully as to render it quite needless to reiterate them. In regard to certain directors it is said, "For the most part they have been figure-heads. Those charged with the actual management of the society failed to realize their responsibility to the policy-holders, involving the society in unwarranted outlays and entering into transactions to further individual interest."

The report is very voluminous, but the foregoing synopsis presents all the recommendations and suggestions of the committee.