

METROPOLITAN LIFE INSURANCE COMPANY.

REMARKABLE TRIBUTE BY NEW YORK SUPER-INTENDENT—RESPONSIBILITY TO COMMUNITY FULLY REALISED—A BARTER TO SOCIALISTIC IDEAS.

The New York State Insurance Department has published its report of an examination made of the condition of the Metropolitan Life Insurance Company as of December 13, 1912. The statement of the examiners is preceded by a remarkable memorandum of the Insurance Superintendent, Mr. Emmet, which is in part as follows:

The fact is, the history and achievements during the last decade of the Metropolitan Life and of one or two other of our large life insurance companies, present such shining examples of efficient and enlightened business management—with in some cases a dash of statesmanship thrown in—that it seems to me to be quite as much the duty of a supervisory official, when an appropriate occasion arises, to comment favorably upon such cases of successful public service by business corporations under private control, as it would be his duty under present conditions to administer sharp criticism if the tendency had been in the other direction. In the case of the Metropolitan Life, the responsibilities of the company's management are shared by its comparatively small number of stockholders and its army of ordinary policyholders—under charter provisions designed to bring about this happy union in a practicable manner. Precisely what the basis of this partnership between stockholders and policyholders is need not be gone into here. It is no part of the work of the Insurance Department to settle questions which from time to time arise over the legal meaning of charter provisions. That is a function reserved, under our laws, to the courts. It is with

THE RESULTS ACHIEVED

under such a system as the Metropolitan has, rather than with its exact legal character, that we are now concerned. I simply call attention, therefore, to the interesting fact that at each annual election of directors certain of the ordinary policyholders and the stockholders of this company have the right to vote, under charter provisions which so far modify the procedure of strictly stock corporations as to constitute at least a substantial recognition of the theoretical advantages of the mutual idea, without at the same time involving a complete abandonment of those fundamental virtues which reside in the system of stock ownership. In the evolution of modern business the potentialities of such a plan of organization as the Metropolitan follows are deserving, I think, of very serious consideration.

The administrative officers of the company whose directors are chosen in the manner I have mentioned, seem to me not to have approached their task with any bias in favor of stockholders as against policyholders, or the reverse—as might very well have been the case if one or the other of these elements had been in complete control of the company. Rather they have shown a desire to harmonize the interests of both elements for the general good of the organization. In this they have been very successful. They have so increased the assets of the company as to make these equal the resources of many States

and even nations. They have at the same time steadily cheapened the cost of insurance to policyholders, both by direct means and by the distribution of bonuses. They have extended the company's business to such an extent as to bring it into contact now with approximately one-eighth of the population of the entire United States. That this notable growth has involved no sacrifice of efficiency in the handling of administrative details, but on the contrary has been the direct result of constantly increasing efficiency, is shown by the comparatively small losses sustained by the company in proportion to the large investments made, by the high earning power of the company's securities, and by the steady decrease which has been taking place in the percentage of managerial expenses to the company's premium income. The fact that the percentage of lapses due to the abandonment of their insurance by policyholders is constantly decreasing, speaks eloquently to the same effect. This last-mentioned development is perhaps the most convincing evidence which could be offered that the company's policyholders are, broadly speaking, very well satisfied indeed with what they get in return for the premiums they pay.

A VERY REMARKABLE SHOWING

altogether. It is very largely explained, it seems to me, by the fact that those in control of these great companies realize to-day that such institutions must shoulder responsibilities to the community at large of a somewhat different order from those which confronted them when they were engaged in business in only a small way, and that the affairs of such companies simply cannot be administered in a spirit which takes only the business side of things into account. This fundamental change in attitude on the part of great business institutions which have come up from small beginnings need not, it seems, be accompanied by any actual changes in the legal status or character of such organizations. In the case of the Metropolitan there have been no vital changes in the company's corporate character for many years. Under its system of joint control by stockholders and ordinary policyholders, it has been able very effectively to rise to the occasion and to bring about all the changes in its methods of doing business which a continuous growth has from time to time necessitated.

It is difficult to see how, if the burden of the administration of such institution as this had during the past twenty years been upon the shoulders of the public, the institution could have been made a particle more responsive than it is to the constantly changing requirements of our time. If the men in charge of such a company grow reactionary in their tendencies, or blind to the social progress of the age, the movement toward an absorption of their powers by the State itself will, as matters stand, proceed very rapidly. But in the case of the company under consideration there has been such a frank and fearless recognition of its new responsibilities that it is easy enough, after all, to understand how it has happened that in the field of industrial insurance the movement toward State operation and ownership has experienced a set-back. Having very promptly recognized what the public may rightfully require from institutions engaged in the industrial insurance business—having in fact been largely instrumental in educating the public to a full realization of what it might rightfully require—this company waited for no changes in existing law before striking out as a