

EXPOSURE OF A BENEFIT ASSOCIATION RING.

A scandal of colossal proportions has arisen out of the exposure made by a Mr W. A. Simmons in regard to an alleged ring in the Massachusetts Benefit Association, the details of which are published by *The Insurance Herald*. Shortly after organization, an iron clad contract was entered into, by which nine directors agreed "to work in harmony for the best interests of the Association," and the signers pledged themselves "never to reveal the workings of the Association." By that contract a close corporation was formed, partaking very much of the nature of a mercantile firm, the interest of each signer being agreed to be held as a heritable property, the equitable value of which was "to be paid to his heirs, executors or assigns." The practical effect of this secret agreement was to create a firm of nine persons who were exclusive owners of the Massachusetts Benefit Association. Mr. Simmons, who is responsible for the exposure, was one of the signers of this extraordinary contract. He explains that it was made effective by the original policies under which all policy-holders had exactly the same rights, being called in and replaced by new forms, by which the original rights of the policy-holders were cancelled, and the parties to the secret agreement "legally placed in charge of the Association." He explains how the scheme brought enormous profits to the coterie in charge. He says: "It was understood during my connection with the Association that the expense fund was to be used for management purposes. In my own policy this was \$3 per year. I understood from one of the committee recently that in his policy it was \$15 per year. If the smaller figure be taken, it would represent \$150,000 per year, and if the amount is in other policies in excess of \$3, it would amount in the aggregate to the sum named by one of the committee recently, nearly \$500,000 a year." This was indeed a very nice sum to be handled by the directors as a management fund, it being stated that between \$400,000 and \$500,000 was annually appropriated by them. It appears that Mr. Simmons and other directors were Grand Army men, hence the Association "getting a stronghold among that contingent." The President, Mr. George A. Litchfield, says *The Herald*, denies the charges and courts an investigation, but that paper regards his statement, that the expenses were less than in other companies, as irrelevant. "Such a plea would apply to a stock company; but in the case of a beneficiary association, run 'solely in the interest of the members,' it is entirely out of place, and will not hold water when brought before the Courts."

The New York Insurance Report for 1896 states the total income of the above Association in 1895 as \$2,732,839, the number of policies and certificates in force 51,940, covering insurance for \$112,568,780. The assets are given as \$1,165,410, with a total of \$546,915 of "contingent mortuary liabilities." According to this Report the disbursements in 1895 were \$2,811,399, which exceeds the income by \$78,560. Our esteemed Louisville contemporary thinks the affairs of the Association are in a precarious state, and that those who

have made fortunes out of that secret agreement will have to disgorge.

SICKNESS AND ACCIDENT INSURANCE.

A paper read before the Insurance Institute of Yorkshire, by Mr. Henry Brown, raises and discusses the questions as to what constitutes "sickness," and what is an "accident" in an insurance sense, and how far they are related. As the tables for a risk of "sickness only" are lower than for "sickness and accident" combined, enquiries are made if a policy covering sickness only will secure compensation to an assured who is sick "owing to an accident," the idea being to cover the double risk at the cost one. A very odd claim for compensation was made by the holder of an accident policy, because he had caught rheumatism accidentally, which was a highly ingenious attempt to make an accident policy cover a case of sickness. As illustrative of popular ignorance, an application was named asking the cost of insuring an income to bedridden woman of \$10 per week. Between accidents proper, and sickness, the distinction should be drawn clear and sharp. Physical incapacity is the basis of the claims under both classes of policy, and discrimination is necessary as to the cause of it. The modern system of sickness insurance is merely an extension to a wider class of the Friendly Society principle, which itself is a recrudescence of a plan in vogue many centuries ago. Late in the 17th century Defoe suggested a scheme to prevent disabled persons from meeting charitable help. A century later a bill was passed by the British House of Commons, but thrown out by the House of Lords, to enable artisans to provide for sickness and old age by weekly payments. The Upper House never did a more unwise nor more unpatriotic act. The sickness insurance business proceeds more cautiously than that of the friendly societies, as medical examinations are conducted scientifically, and not as a mere form. How generally sickness prevails is shown by one person out of every ten claiming indemnity in the first year of the policy. This, however, is an English statement which is affected by the influenza epidemics which have been so serious for the past five years. In Glasgow last year, for example, the death rate from this disease rose from 23 per 1000 to 53 per 1000. Strict medical examination of applicants by a competent physician is as essential to this class of insurance as to life assurance. As the risk of sickness as a rule increases with age, a company ought to lay by a reserve to offset this increasing liability. To check policyholders from malingering or "playing the old soldier," it is advisable to place the limit of insurance at considerably less than his income when well, though even this will not wholly prevent frauds by the assured shamming sickness in order to secure an income during a fit of laziness. "Accident insurance," said Mr. Brown, as reported in the *Post Magazine*, "is not a very ancient science. In 1850 only one company was in existence; in 1860, 5, in 1880, 9; in 1895, 31. But he omits stating that under the ancient guilds, sufferers by accidents were provided for. The Employer's Liability Bill,