

METROPOLITAN LIFE INSURANCE CO.—Continued.

cussion at the time of the adoption of the report and bills, that this restriction by law was justified by the experience of this company in the matter of expense as shown by an analysis of its annual reports. It is true that this Company kept its expenses almost within the limit prescribed by the new statute. But the statute is a penal one and we cannot run any risk of over-running the limit of expense. This necessitates a reduction of commissions, but the reduction will be very much less than that made necessary by the companies issuing participating policies. **This Company will not issue after this year any other than non-participating policies.** In fact, in the true sense of the term we have not issued any other for nearly fifteen years; for, as we have often explained, the Intermediate and Special Class policies were based upon stock or a non-participating loading and the dividends promised, if earned, were expected to be derived from the mortality. These policies were entirely novel and we had little experience to guide us. The Intermediate policies were based upon our Industrial table of mortality and were designed for Industrial risks who could afford to pay annual instead of weekly premiums; and the mortality of such a class could not be foretold. The Special Class policies were for sub-standard risks as to which the mortality could not be accurately predicted. What we undertook to do was to pay back to the policy-holders the gain from such improvement in mortality over the expected as should be actually experienced. As participating policies are based upon a higher or so-called mutual loading out of which dividends are expected to be earned, we claim that our Intermediate and Special Class policies based upon a stock loading were in principle non-participating. All of our other policies in the Ordinary department were by their terms non-participating. The law has justified us in the principles we adopted fifteen years ago, and to-day the Armstrong laws and the similar ones prepared for other States are a vindication of the **Metropolitan** principles in which you have been trained. We have now an experience of Intermediate and Special Class risks, which enable us to prepare non-participating tables. The tables of premiums as to these policies have heretofore been completely readjusted. We think you will find them most attractive.

We realize that we shall henceforth have more competition in non-participating policies. Other companies have announced their purpose to restrict their issue to this form. We have therefore thought it in your interest as well as our own and in the interest of the public, which is superior to both, to use a part of the reduction of commission to effect some reduction of premium. New tables have been prepared which we think will be attractive to our customers and which therefore will be profitable to you. In adjusting these commissions we have thought it only just to restore to the Superintendents an interest in them which we were compelled to withdraw a few years ago and which you remember the Vice-President promised at the time to restore when we should be able to arrange it. And we have also recognized the good work of Assistant Superintendents by giving them an interest in the work of their agents. We realize that the duties of Superintendents and Assistants include the instruction and training of Industrial agents in the work of the Ordinary Department. We want all of our agents to be all-around insurance men. Our Superintendents and Assistants have imposed upon them as a duty the supervision, the constant help and encouragement and the education of their agents. We have made it an interest as well as a duty.

Our new policies will be found most attractive in form and even more attractive in substance. They contain all of the advantages and concessions which we can afford to give and which the public have a right to expect. The surrender values will be found to be generous and take the optional forms of extended insurance, paid-up insurance and cash. They are the standard forms of the New York Department, the work of experts which has legislative approval. They are as plain to the understanding as they can be made. We have discontinued many plans as unnecessary. We shall issue Ordinary Life, Limited Payment, Endowment and Term plans; and we have applied for permission and hope to issue in addition three plans which the public have stamped with their approval—namely, the Optional Life or Endowment, under a new name, the Modified Endowment with Life Option; the Guaranteed Dividend, also under a new and more descriptive name, the Guaranteed Increased En-

dowment; and the Reduced Premium Life under its new name, Life with Reduced Premium after 20 Years.

Gentlemen, we are entitled to say that the Armstrong investigation was a vindication of the methods and practices of the **Metropolitan Life**. The Armstrong laws are in many respects a distinct recognition of the work we have done together these many years. See that you appreciate this fact to the utmost. Show that you do by making the year 1907 an unexampled year for the issue of more policies, for larger insurance, for greater gain, for less lapses, and notations at a less expense, at a greater return to policy-holders than you have ever done. Live up to your blessings! Show that you appreciate the reward which the Legislature has conferred upon your good work of the past! Make 1907 the greatest because the best year in the Company's history!

THIS YEAR, 1906.

You have started well. Last year, the year of the investigation, you did the largest business we had ever done. The first part of this year the paralysis which seemed, unreasonably and unnecessarily, to have fallen upon the business in general, appeared to have affected even you—even more unreasonably and unnecessarily. Finding this to be the fact, the Vice-President appealed to you in personal conferences with the Superintendents in little groups all over the country; pointed out to you the facts and conclusions of the Armstrong inquiry and the results as embodied in legislation, showed you the essential approval we had received in our work in both departments, and asked you to respond to all this for the remainder of the year by making the best record you had ever made. This was in May and June. It would be most ungrateful not to make this public and general acknowledgement of your response to the appeal, and on behalf of the Vice-President I give to you his personal thanks and add our official acknowledgments. The year is not yet ended and we cannot therefore tell the whole story. But for the months July to November, inclusive, compared with the same months of previous years:

You made the largest amount of Industrial increase which the Company ever made, except in 1894 and 1903.

The agents wrote the largest amount of Industrial business, average per man, of any of the last ten years.

The average increase per man was larger than for any of the past ten years.

The ratio of lapses was the third lowest for ten years past.

The number of transferred accounts was the lowest for eight years, notwithstanding the larger force of men with which we started and the larger reduction in the force we have made this year.

The collections were the best in the history of the Company!

The death claims reached the lowest ratio for the last 25 years—notwithstanding the increased average age of the policy-holders.

The special salary to agents averaged the largest amount in the last ten years; and yet we saved \$100,000 in the total compared with last year.

The saving in total cost in these items alone, medical fees (because of a reduction in number of applications), Assistants' salaries and special salary, was at the rate of a million dollars a year.

We may add that the Pacific Coast kept up with the procession by the remarkable feat of covering for the year the enormous lapse caused by the earthquake and is certain to close the year with a handsome increase.

In the Ordinary Department September about equalled September of last year, while October and November largely exceeded the corresponding months of last year, and December promises to be a record breaker!

And taking the last six months for comparison—June to November, inclusive—you wrote more Ordinary than ever written by the Company in the corresponding months and exceeded 1905 by over six millions and a half; and this it must be remembered by more than 3,000 less men!

We are proud of this record and we are grateful to you for your generous response. We cannot say more than to wish for you and yours the happiest and most prosperous year of your lives in 1907!

Very sincerely yours,
JOHN R. HEGEMAN, President