

research. Our space will not allow of the reproduction of these tables, and we must content ourselves with giving the aggregates.

Of the total assets, amounting to \$223,000,000, nearly \$7,000,000 are invested in real estate; almost \$80,000,000 in mortgage loans; \$26,500,000 in United States securities; \$19,000,000 in state, county, town and other stocks and bonds; nearly \$4,000,000 in loans on collateral securities; while about \$20,000,000 are represented in deferred and unpaid premiums; \$52,500,000 in premium notes and loans; \$7,500,000 in miscellaneous assets, and about the same amount in cash.

Of the \$191,000,000 of liabilities, \$182,000,000 appear in the net premium reserve, or reinsurance fund, for the security of policy-holders; \$3,700,000 for payment of adjusted losses; and the remainder in miscellaneous items of indebtedness, leaving a clear surplus of \$32,000,000.

Of the income for 1869, there was received for premiums, \$67,220,000 in cash, and upwards of \$18,000,000 in notes; for interest on premium notes and securities, \$3,000,000; interest on mortgages, \$4,543,000; for interest and dividends on stocks and securities, nearly \$4,000,000; and from miscellaneous sources about \$1,600,000; making the total receipts almost \$100,000,000.

A classification of the expenditures shows that the companies paid upwards of \$15,000,000 for losses and reversionary dividends, including \$325,000 paid or returned on notes and other premium securities; for lapsed, surrendered and purchased policies \$4,337,000, including \$1,830,000 in premium notes returned to the assured, in cash or in reduction of renewal premiums, \$10,283,000; in cancellation or reduction of premium notes and securities, \$5,622,000; for brokerage, commissions, salaries, and medical examinations, \$12,440,000; and to stockholders, for interest and percentage of profits, \$593,758. The gross expenses amounted to \$53,000,000, leaving an excess of receipts amounting to about \$45,000,000.

In this connection, it is worthy of remark, in triumphant answer to those who have been carping at life insurance, because, as they allege, the lion's share of the money paid in goes to the companies and not to the insured, that, of the \$53,000,000 expended in 1869, \$35,000,000, or over 66 per cent., accrued to the benefit of policy-holders, either in direct cash payments, reversionary bonuses, return or cancellation of premium notes, or in reduction of renewal premiums, a very large proportion of the cash payments having been made in liquidation of death claims. The statements of the older companies show a commendable reduction in the percentages paid for brokerage, commissions, salaries, and other expenses.

Annual Balance Sheets.

Here the Commissioner repeats, with increased emphasis, the suggestion of last year's report, that annual balance-sheets, dealing with assets actually realized and in possession, in distinction from assets in expectation, shall be required of the companies. This Mr. Clarke very sensibly urges, both as a matter of business usage and consistency, and as an equitable test of correctness and integrity. He advises the companies that the application of this test is only temporarily waived, and urges its practicability and necessity as follows:

Apropos to this discussion, we may add that the life companies of Great Britain are now holden to this rule. In the Act of Parliament, 33 and 34 Vict., ch. 61, passed in August of the present year, companies are required to render, at the expiration of each financial year, exact balance sheets in accordance with forms prescribed in schedules to the Act, whose provisions against neglect and falsification impose penalties much more severe than our statutes. The balance formulas enacted are not free from objection, and might be essentially improved in one or two particulars; but they will serve to correct errors and abuses.

If, under the maturer development of British

actuarial science and experience, such methods are deemed necessary and practicable, American intelligence and progress should not be found in any secondary position. Adopting this view, no objection should be made to any test within the limit of fair dealing and impartial justice. If, as some strangely affirm, a balance statement of realized assets cannot be intelligibly and correctly rendered in this as in other departments of business, we can only feel that the system which interposes obstacles is itself at fault, and the sooner we adopt some other, divested of intangible mysteries and inexplicable conditions, the sooner our people will be satisfied that financial statements are not manufactured to bridge over weak places, or cover fraudulent practices.

"Co-operative" Delusions.

All values are quite sure to have their counterfeits, especially when the latter promise a reasonable *quid pro quo* for the invention. From Eden to the present time, humanity has ever betrayed a remarkable susceptibility to imposition, however apparent or flimsy. That the carnival of fraud and deception, of brass and shoddy, will cease before the end of time, there seem but few promising prognostics. Consequently, wolves in sheep's clothing are everywhere in waiting for the unsuspecting and unsophisticated, victimizing without mercy, and robbing without pity or remorse. That genuine and legitimate life insurance, whose far-reaching beneficence commands an increasing measure of public confidence and favor, should be permitted to escape a tempted imitation in the dangerous category of marauding counterfeits, is perhaps too much to expect from unscrupulous and craving avarice.

The "Mississippi Scheme," concocted in France, the tulip-root mania in Holland, and the "South Sea Bubble" in England, gigantic mushroom speculations of the seventeenth and eighteenth centuries,—pretended schemes for embodying the wealth of the globe in a few favored hands,—have a fitting counterpart (upon a smaller scale) in the brood of co-operative fledglings which, under specious garb and beneficent pretence, are just now imposing their sophistries upon human credulity. Scarcely had the present Commissioner entered upon his duties, when, by urgent solicitation, blandishingly sugared with unmistakable hints of large pecuniary emolument (a fortune or two for a poor man), an effort was made to secure for these myths the prestige of official recognition and sanction, or to purchase, in lieu thereof, the silence of the department, insuring its tacit consent to the evasion of law and the robbery of the people. It is needless to say that the cool and impudent proposition met with prompt and deserved attention.

The wild mania for this species of speculation, incipiently inspired by the organization of two or three of these schemes elsewhere, was attaining such momentum during the early months of the present year, that, but for the decision of the department, and the action of the Massachusetts legislature in refusing to charter a similar bubble, every street corner might, ere now, have blazoned with the insignia of mock insurance. Indeed, instances were not wanting, in which, by a combination of their peculiar talents for adventure and deception, and by the use of tempting circulars backed by a few reputable names, borrowed without leave, or loaned without personal investigation by their owners, a trio or more of irresponsible men (individually unworthy of a dollar's credit, and unable to obtain it), contrived to secure a sickly confidence, and to manufacture "a number of nothings into something," ready to be palmed off upon the unwary and ignorant, had the legislature of 1870 unwisely weakened the safeguards of sound insurance. Several of these nice little projects, whose manipulators were on the *qui vive* for a harvest, while hunting the lobbies in expectation of legislative favor, have happily become victims of timely abortion.

No such company or association is authorized to do business within the state. Not one of them can comply with its statutory requirements. Not one can furnish a tithe of the security required for the protection of policy or certificate-holders. The leading representatives of the scheme have thus far utterly failed to exhibit a single financial or scientific element, which law and experience recognize as indispensable for the interest and security of those who trust their money and their hopes to its promises. Unable to occupy the established and tested position of safety, those which have made fruitless effort for official recognition in Massachusetts are, in some instances, seeking by stealth to entrap their victims within its limits. How long they will thus lie in wait with impunity, time will show.

A glimpse of the financial animus of these projects is well revealed in the private circular of one of their number, which is finding its way into supposed confidential hands in various sections of the state. We quote the following choice and telling peroration:

"The compensation to agents is 33 1/3 per cent. of initiation fees, or 40 per cent. on initiation fees on 1,000 or more policies in any one year; and where the number of policies reaches or exceeds 3,000 in any one year, through any one agent, this association will allow to such agent, 'in addition,' 40 per cent. of the annual renewal fees on all policies kept in force through any one year.

"You'll readily see that if it is expedient for you to have such parties as you deem proper to canvass your localities or vicinity, and to have applications daily or weekly forwarded through you to this office, (you being at liberty to allow to canvassers whatever percentage you see fit), you may derive an income of thousands of dollars per annum."

After this, "gift enterprises" may retire from the arena, and enterprising agents may swim, provided dupes are sufficiently numerous and flush.

As a substitute for pure and genuine life insurance, the whole co-operative scheme is a wretched failure, unworthy of a moment's consideration, and would have received no mention here but for the clandestine and persistent efforts of its manipulators to foist its fallacies upon the people of the commonwealth, especially those in possession of moderate means, who are least able to suffer loss, and who are most easily victimized. It was well said by the late Commissioner (Mr. Sanford), that none of these schemes to which his attention had been called, "had enough of equity or stamina to bear the scrutiny of a shrewd common sense." Claiming to be mutual in name and character, and in the distribution of promised benefits, they are only practically mutual in the interest of managers and agents. Yet emboldened by the sorry prestige of borrowed reputation, or "references by per mission," they seek to enrich themselves at the expense of the credulous.

Accident Insurance.

The Commissioner gives his unqualified approval to this form of insurance, the only two companies now represented in Massachusetts are the "Travelers," and the "Railway Passengers," both of Hartford. The risks of the former have increased to nearly \$100,000,000 annually; those of the latter to \$3,000,000,000.

The report closes with the following resume of the history of the Massachusetts Insurance Department, and the following recommendations to the legislature concerning its future administration:

The department commenced 15 years ago with three Commissioners, supervising about 120 companies, with an aggregate outstanding risk of about \$300,000,000. In 1858, the number of Commissioners was reduced to two, and their supervision embraced 171 companies, with an outstanding risk of \$1,400,000,000. In 1863, the department was organized with one Commissioner, on whom was imposed the supervision of 214 companies, with outstanding insurance amounting