

SUPERINTENDENT BARNES' REPORT.

The report of the Insurance Commissioner of New York, is out. We can only give extracts of special interest. He says commuted commissions are assets of a questionable or fictitious character. "Under our statute no such investments are recognized or allowed. A company may, in pursuance of its charter purchase any outstanding claim against itself; but the normal effect of such a purchase generally results in a merger or extinguishment of the claim. A life company either by a parol or sealed contract makes an agreement with a general agent to pay him a commission for all policies obtained through his agency in a certain district; for example, say twenty-five per cent. on original life premiums, and $7\frac{1}{2}$ per cent. on renewals, or forty per cent. brokerage; the company concludes after the lapse of a few years that its best interests would be consulted by paying the agent a certain sum in lieu of his future commissions; the cash paid down to the agent diminishes of course the company's assets *pro tanto*; but the amount of its present assets are not increased at all; the only effect is, that during the next and subsequent years, if the policy-holders pay their renewals, the company will receive all or nearly all of the future premium without any diminution for agents' commissions; in which event the company will, year by year, be able to shew a larger surplus, or to make a larger dividend. Such policies stand in no better position however than those on which a single brokerage has been paid or those which policy-holders themselves voluntarily bring to a company without any solicitation or intervention on the part of any agent. A company may do business if it chooses on the principle of paying no commissions on premiums to agents or any other person; could such a company interpose a valid claim that the loading or commissions on its future premiums should be included as a legal and legitimate asset in possession? Plainly not. Then how is the condition of the company improved by contracting to pay agents' commissions, and afterwards buying out the agent? These commuted commissions are sometimes called annuities, and it is said that companies can, under their charters, purchase as well as grant annuities. Is the agent's contract for commissions an annuity bond issued by the company to the agent? If it is, all such contracts outstanding should be valued and charged to a company under liabilities the same as all other annuities and policy obligations. When a company purchases its own policy, such policy becomes merged or extinguished, and is not considered as an asset of the company. But agents' contracts are not in any proper sense annuity bonds; these instruments are simple agreements, with or without seal, to pay certain percentages or other compensation for the obtaining of different classes of policies, the collection of premiums thereon, and otherwise advancing a company's interests. Such contracts are simply executory agreements or covenants for the performance of work, labor and services which, when performed, entitle the agents to a certain salary, commission or other compensation. When purchased by a company, such obligations would seem to be extinguished. In a round-about way, keeping such contracts alive as assets appears to be an attempt to anticipate the loading so often indulged in by many English life insurance companies, with this difference, that our companies only claim the loading as an asset *pro tanto* by extinguishing the claims for future commissions, which constitute the main part of the loading expenses."

The amount insured by Life Companies of New York and those doing business in that city, which five years ago was less than \$200,000,000, already exceeds a billion of dollars. Tables are given to show how life insurance is advancing in America. He presents a table showing the various items of unrealized assets held by the different companies with the percentage of the same to the total assets of each company.

"The notes taken by marine insurance companies are generally bankable paper and deposited in bank for collection; the life insurance premium note or loan is never so deposited

or collected; the transaction both on the side of the company and the insured is considered as a merely nominal one or as the giving of a note which is never to be paid unless by the offset of a loss or dividend claim which the policyholder may have on the company.

The superintendent has seen with regret the tendency to accumulate so considerable a portion of the assets of life insurance companies in premium notes and loans and in deferred and unpaid premiums. These notes are generally subject by charter to assessment for losses, but in practice are used only as a substitute for currency with which to pay or offset losses or dividends.

The practical fact, however, of a heavy payment in cash for agents' commissions (which is payable on the credit as well as the cash part of the premium) on these notes appears annually under cash expenditures, and in serious diminution of the cash reserve of realized assets held by note companies.

Some of these companies have lately assumed the grave and questionable responsibility of advertising under the officers' signatures, that their notes or loans will be offset by dividends and will not be deducted from claims in cases of losses by death. The value of such securities as forming a part of the re-insurance fund is thus sadly diminished if not destroyed; besides it cannot admit of much question that *bonuses or dividends actually guaranteed* should be valued and charged as liabilities in the same manner as the policy itself.

It will doubtless astonish many officers themselves to see the small percentage of their accumulations which are now actually convertible into money or the legal tender currency of the United States, as shown in the preceding table. Strenuous efforts should be made to call in and realize all outstanding uncollected assets, and to place the same in the company's own safe and custody, invested in sound securities, held in the corporate name. Premium notes and credits should gradually be diminished and the policyholders' burthens lightened by annual dividends payable with the second annual premium."

Respecting the interest and profit dividends to stockholders, he continues:—

The subject of the proper share of life insurance surplus which should be apportioned to stockholders, is exciting public attention, and might as well now as ever be thoroughly sifted and criticised, thereby eliminating from the friction of conflicting interests such just rules of equity (*juste milieu*) as well be approved by the general public and the mass of stock and policyholders." An abstract of the chartered laws and regulations of the companies is also given.

MUTUAL LIFE OF NEW YORK.—This company, whose organization (like that of the Equitable, in England) marks the substantial establishment of modern life insurance in this country, was incorporated in 1842, by a special act of the Legislature, before the adoption of the constitution of 1846, which prescribed general acts of incorporation. Only two amendments of its charter appear upon the statute book for a period of twenty-six years.

The board of trustees consists of thirty-six persons, of whom not less than seven may form a quorum. The by-laws require twelve persons for a quorum.

The trustees hold their offices for four years, and are divided into four classes, of nine persons each; one class being elected annually.

Investments may be made in United States, New York State and city stocks to an amount not exceeding one half the premiums received; the remainder must be invested on bond and mortgage on real estate within this state, worth twice the amount loaned thereon.

Each member is to be credited with "an equitable share of the profits of the company."

No member of the company shall be personally liable for the losses of the company, except officers and agents, who severally shall be liable only for the losses arising by reason of their own respective neglect or misconduct.

PHOENIX MUTUAL LIFE.—Incorporated in 1851 as the American Temperance Life Insurance company under a charter similar in many respects to the Charter Oak. Elson Feasenden,

Barzillai Hudson, Benjamin E. Hale and others, were the original incorporators.

Capital stock, one hundred thousand dollars, with liberty to increase the same to two hundred thousand dollars, sixteen per cent. payable in cash, and the balance to be secured to be paid by bond and mortgage, or approved indorsed promissory notes, payable at such times as the directors may determine.

The board to consist of not less than eleven, nor more than thirty-six directors, elected annually from among the stockholders by the stockholders.

Investments are regulated by the 13th section.

In 1861 an act was passed changing the name of the company to its present title.

No risks are taken by the company upon the lives of persons who are addicted to the habitual use of intoxicating liquors as a beverage.

The capital stock shall not exceed one hundred thousand dollars, upon which interest shall be paid not exceeding six per cent. per annum.

The business of the company shall be done on the mutual plan.

Capital paid up, \$16,000; unpaid, \$84,000.

Year.	Interest div'd.	Profit div'd.	Year.	Interest div'd.	Profit div'd.
1851	.....	.....	1860	\$360 00	\$5,040 00
1852	.....	.....	1861	900 00	5,040 00
1853	.....	.....	1862	900 00	5,040 00
1854	\$360 00	\$5,040 00	1863	900 00	5,040 00
1855	900 00	5,040 00	1864	900 00	5,040 00
1856	900 00	5,040 00	1865	900 00	5,040 00
1857	900 00	5,040 00	1866	900 00	5,040 00
1858	900 00	5,040 00	1867	900 00	5,040 00
1859	900 00	5,040 00			
Total	.....	.....		\$19,440 00	\$70,560 00

ÆTNA LIFE.—The Ætna Insurance company, of Hartford, was incorporated June 5, 1819; capital not less than one hundred and fifty thousand dollars, and not exceeding five hundred thousand dollars, of which ten per cent was payable in cash, the balance by endorsed promissory notes or otherwise. The franchises of said company were originally confined exclusively to insuring against losses by fire.

In 1820 an amendment was passed allowing the company to add to their capital the sum of fifty thousand dollars, and not exceeding one hundred and fifty thousand dollars, to be denominated annuity fund, and to be exclusively pledged as a fund for the payment of annuities and of losses upon life insurances; and the company was authorised to grant annuities and make life policies.

On the 28th day of May, 1853, an act was passed incorporating the shareholders of the said "annuity fund" as a distinct corporation for the purposes of life insurance, under the name of the Ætna Life Insurance company, with not less than seven nor more than ten directors, to be elected annually from and by the stockholders.

This company commenced issuing non-participating policies in 1850; its business was small, however, until 1861, when the principle of participation was adopted. The charter should be so amended as to lessen the enormous profits of the small body of stockholders, and so as to define with more precision the respective rights of the policyholders and stockholders. If the officers do not see fit to ask for such legislation, it should be initiated by the participating members of the corporation.

Capital paid-up, \$60,000; unpaid, \$89,400.

Year.	Interest div'd.	Profit div'd.
1852	\$3,636 00	\$864 00
1853	3,636 00	864 00
1854	3,636 00	864 00
1855	3,636 00	864 00
1856	3,636 00	864 00
1857	3,636 00	3,864 00
1858	3,636 00	3,864 00
1859	3,636 00	5,364 00
1860	3,636 00	3,864 00
1861	3,636 00	3,864 00
1862	3,636 00	9,864 00
1863	3,636 00	14,364 00
1864	3,636 00	14,364 00
1865	3,636 00	14,364 00
1866	3,636 00	14,364 00
1867	3,636 00	14,364 00

One and a half per cent. on participating premiums from September 1, 1861, to January 1, 1868, 105,000 00

Total,..... \$43,632 00 \$169,368 00