FEDERAL SUPERVISION OF INSURANCE COMPANIES.

It is obvious, as we have already intimated, that any scheme for placing insurance companies under the supervision and control of a United States Federal Bureau would either have to be so far independent of the state insurance departments as to practically destroy their authority, or, would have to adopt such measures of procedure as would work in strict harmony with those localized state departments.

If the former course were adopted the question would be raised analogous to that which led to the civil war between the North and the South. The various States of the American Republic are exceedingly proud and jealous of their sovereign powers. Were any effort made by Congress to limit those powers there would be such strenuous opposition put in motion as would render the effort abortive. The whole tendency of popular sentiment in the United States is and long has been to extend the range of State powers and to weaken Federal authority over the States. It is not in the least degree probable that Congress would bring itself into direct conflict with public sentiment by limiting the powers of the State insurance departments which derive their authority from State goverments.

If, on the other hand, there is legislation proposed by Congress to establish an Insurance Bureau to work in harmony with the State Insurance departments the powers of such a Federal Bureau would be nothing beyond a power to register the actions of the State insurance Superintendents, which are based upon the laws of State Legislatures. For, the laws of the various State Legislatures relating to insurance are so various, so inharmonious, so contradictory to each other, that it would be utterly impossible to frame any set of Federal regulations for controlling insurance companies that would embody all those in force in the various States. And, as already stated, if the proposed Federal regulations conflicted with those of the States there would be overwhelming opposition to them inspired by jealousy of State rights. One of these rights is the power to tax insurance companies which is freely and very arbitrarily and in some case most oppressively exercised. Now the taxing power is not only valuable but it goes to the very root of the sovereignty of State authority, so that violent opposition would be roused against any attempt to restrict or to undermine it.

Another power wielded by the State officials is their authority—like the power of the keys to bind or loose—to license an insurance company to do business in the States, or to refuse it admission. The Federal Bureau could not be empowered to over-ride this local authority without raising a storm, so that, the two leading powers of the State Legislatures, in regard to insurance companies, viz., the taxing and licensing powers, would have to be withdrawn from those legislatures, if the Federal Insurance Bureau were to have any effective supervision over the companies, and such a radical change we regard as impracticable because of the opposition it would arouse in the various States.

As we have pointed out the words used by the President in his address to Congress point rather to the supervision of foreign companies than to American ones. We are confirmed in this view by the utterances of Dr. Fricke, exInsurance Commissioner of Wisconsin, in an interview with the "Weekly Underwriter," which, substantially, were as follows.

He thinks. "national supervision can be best gained by securing the gradual assent of the States," thus recognizing the difficulties we have pointed out. He would have the Federal Bureau authorized, "to examine all foreign companies desiring to transact business in the United States, with *permission* to make deposits with the department; authority to examine into and report upon the condition of all companies organized in the United States transacting or desiring to transact business in foreign countries; authority to examine any life insurance company when requested by such company, and to forward a certified copy of such examination to the insurance departments in which such company is transacting business; authority to value the policies of such company, and furnish a certificate of such valuation, and authority to receive and hold such deposits as any United States company may desire to make for the benefit and security of its policy-holders and to certify the amount and purpose of such deposit whenever requested to do so, and finally and in addition to assist in harmonizing differences between companies and States when desired."

While such provisions do not conflict with the existing conditions in the States, they open opportunities for disputes in which the companies and the State Superintendents would be likely to be involved.

The phrase "with permission to make deposits with the Department," that is, with the Federal Insurance Bureau, which applies to foreign companies, would be probably interpreted to be mandatory, so that the foreign companies would, in such case, have to make deposits both with the several States and with the Federal authorities. It will be noted that, in regard to the deposits of United States companies it is distinctly specified that such deposits are only to be made whenever the company *may desire* to do so, and when the Bureau *is requested* to receive such deposits, which qualifications are omitted in reference to deposits of foreign companies.

In the same way the proposed Bureau is to have, "authority to examine *all foreign companies* desiring to transact business in the United States," but such examination is to be made of American companies