

of statement is very evident, not only in respect to a consistency of presentation of their affairs in the various Department reports, but especially in the labor and detail involved in the compilation of the accounts in the offices of the companies.

"The business of the companies has become so large and is so rapidly growing, that any innovation upon established forms must entail much labor, confusion and delay. The form once established and the books and methods of the offices adopted with reference to the information desired, the accounting would proceed consistently and without embarrassment. The companies have always professed an entire willingness to furnish every item and detail of information the departments deem necessary and proper, and they only reasonably ask that the departments shall agree upon what those items should be, so that the exhibit elaborated in conformity with the Convention requirement may be sufficient and satisfactory for all.

"However important and convenient the uniformity of statement requirements may seem to the members of the Convention at the session in which the forms are discussed and adopted, the impression naturally and necessarily loses its force, or disappears in consequence of the frequent changes and successions of administration of the various departments.

"But this subject, which is one of the most important and technical of all that come into the administration of the departments, should be kept constantly alive and prominent before the Conventions, not only in the interest of the convenience of the companies, and commissioners, but very especially to the end that the public may be provided with the most clear, consistent and intelligent exposition of the progress and affairs of their companies.

"The uncertainty and confusion from a departure from uniformity of State requirements is strikingly illustrated by a comparison of the income exhibits as published in the reports of the various departments during the current year. And it may be said that inquiry made at the several departments discloses the fact that in only seven of them have the modifications in respect to income items, agreed upon and adopted by the Convention, been in the slightest degree regarded. And it may be further said that a comparison of the forms used by twenty-six of the oldest State Departments shows many and important departures, not only from the Convention standard but that variations among themselves are very numerous, and result in much uncertainty and confusion to the companies and the public. And so it comes to pass that the companies are again being subjected more and more to the same old trouble that was the principal moving cause for the calling together of the first Convention in 1871."

Mr. Merrill then quotes from a paper upon the general subject, read at the session in Denver in 1889, relating particularly to fire statements; but the analogy of the life situation is, as he says, quite apparent, the closing paragraph of which is as follows:—

"An exhibit was intended to show the exact relations of the Company to its policy-holders and the public, regarding the Company in its entirety of home office, branches, departments, agencies and all other machinery in its control, on the one hand—on the other, the insuring public. To be of any value as such exhibit, it must show the entire and precise cost to the community of its insurance protection and the quality of the protection offered."

Proceeding with his subject, Mr. Merrill continues as follows:

"In recent years a great deal of stress is laid upon the large and confessedly extravagant expense of gaining new business by the life companies. It is depre-

cated by all, and by none more earnestly than those who are the greatest offenders. There seems to be something like a spell over the whole subject, all detest and shrink from it, but none, either severally or all in concert, seem able to break it.

"All confess to it, but the most that any pretend to do in the interests of common decency is to conceal as much of it as possible. This concealment is by divers ingenious and conscience-stretching devices and fiction, which only become apparent by a careful analysis and comparison of items and years.

"This extravagance will correct itself, or, what is the same, the people will correct it, when and only when its proportions come to be set forth fully in clear light, just as long as the statement forms and Department requirements permit the concealments of the cost of this new business and who pays for it, so long will the waste go on and no longer.

"Two things must be shown fully and without shadow before the matter will right itself,—one, what amount have the new policies actually paid into the Treasury of the Company, the other, what has the Company paid or agreed to pay out of present funds to secure this new business.

"The present Convention form of income is believed to be sufficient to secure from a conscientious officer the first item. For the second a considerable modification of outgo account is necessary, and a movement in this direction ought to proceed at once, and during the present session of this Convention if possible.

"Since the last amendment of the blank order by the Convention, there has come into the accounts another and new item that seems to have no appropriate and definite place in the accounts, at least not such a place as that it is likely to be treated unforlunately and unmistakably by the different companies. Allusion is here made to the disposal of the instalment business of such of those policies as have become claims.

"Under the instalment plan the Company agrees that when the policy matures there shall be paid at once, say, one-twentieth of the amount insured, to the beneficiary, and an equal amount at the beginning of each of the following nineteen years. Thus, if the amount insured is the nominal sum of \$10,000, there would be payable \$500 per year for each of twenty years, and the actual liability of the Company at the date of the maturity of the policy would be, not \$10,000, but the present worth of \$500 to be paid at the beginning of each of twenty years, which, counting interest at 4 per cent., would be \$7,067. And the natural and common-sense position of the accounts, when the first instalment has been paid, would seem to be, in expenditure \$500 and the balance \$6,567 in liabilities.

"It would probably be best that no part of the accrued claim under this policy, except barely the instalment for the current year, should enter the income and expenditure accounts at all, and this in a separate item of expenditure as amount actually paid under claims upon matured instalment policies. But if to satisfy bookkeeping it is found necessary to enter the full amount promised under the matured policy in both income and expenditure, it should be distinctly stated in items for that purpose alone, and not confused with annuities or any other account.

"There is apparently at this time no duty before this Convention more serious and important than an agreement upon the proper form of the income and expenditure accounts of the life companies for the annual statements, and it is respectfully urged that when such agreement is attained, the departments should rigidly adhere to the form adopted until some needed change becomes evident and is presented to some future Convention for full consideration."