

judged thereby to a deplorable extent against not only those officials whose case may be said to be *sub-judice*, and, therefore not a fit subject for criticism, but against an economic system which is one of the most beneficent agencies of civilization.

To attack the actuaries of life assurance companies because one of the most eminent of the profession has given technical explanations, the understanding of which requires some degree of expert knowledge, is particularly stupid; it is like attacking physicians as a body because some eminent practitioner's evidence on a trial exhibited his knowledge and experience as a medical expert.

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK.

MR. ROBERT H. MCCURDY'S STATEMENT.

During the proceedings of the Committee sitting to investigate the affairs of insurance companies, Mr. Robert H. McCurdy tendered a written statement explanatory of his relations to the Mutual Life Insurance Company of New York. He took this course to save the time of the Committee, and "because of an impression which is said to prevail that the foreign business of the company is a relatively heavy burden to its finances and that I have unduly profited by such business."

The chief point of interest to the public, and the policy-holders in particular, is in regard to the large amount of commissions he received on which severe censures have been passed. Mr. McCurdy opens his statement with remarks on the agency commission business.

"All insurance companies at that time, as most companies still do at present, farmed out territory onto agencies and paid the agents on a commission basis. These commissions are merely gross sums, from which the heavy expenses of the agency must be deducted to ascertain the net profit. The general agents, in addition to paying all the expenses of procuring insurance within the limits of the agency, including the large commission paid sub-agents and solicitors, further incur all the risk of losses which might be caused by the defalcation of subordinates or other casualty. In other words, the general agents make themselves responsible to the company for the business which they secure and for the payment of the premiums due thereon, and the amount of their profits is wholly dependent upon the amount of business which they secure. It is the method by which the insurance companies of this country were built up, and while it is the present policy of our company and some other companies to transform all such agencies into salaried positions, the question is still to be solved whether the salary system, which to some extent takes away from the agent any incentive to develop the business of the company, will be effective as was the old managing agency system on a commission basis."

In 1885 he was appointed superintendent of the foreign department, and it was agreed that he was to be paid 5 per cent. upon the foreign premiums collected. In the first year the premiums were only \$17,190, on which he received \$859.50 as commission. Agencies were generally established in the

following order: Mexico, Hamburg, Chili, Peru, Bavaria, Berlin, Australia, Porto Rico, Great Britain, Belgium, Denmark, Norway, Italy, Austria, Hungary, South Africa, Holland, Spain, Sweden, the Levant, and Japan. The result was that, in 1888, Mr. McCurdy says: "My commissions amounted to \$23,522. At my own suggestion and request this was reduced from 5 per cent. on all premiums, which included renewals, to 5 per cent. on first year's premium, 3 per cent. on renewals and 2½ per cent. on annuities. I may say here, as explaining this reduction, as well as the future reductions to which I shall refer, that while the company had the right at any time to terminate my contract as to all future policies, I had fixed contract rights in all business theretofore placed, and I was therefore legally entitled to 5 per cent. upon all future premiums on business established from 1886 to 1889, which in the future would have amounted to a considerable sum. But at my own suggestion the reduction to which I have referred was made retroactive, and applied to premiums upon past policies as well as those to be secured in the future."

As the business developed largely he wrote to the president suggesting that the terms of commission be reduced as follows:

"For the year 1892:

"A commission on first year's premiums of 2½ per cent.

"A commission on all renewal premiums of 1 per cent.

"A commission on single payment life or endowment of 1 per cent.

"A commission on single payment annuities, 1 per cent."

In May, 1897, he suggested the propriety of a further reduction, "the commission on first year's premiums to be reduced from 2½ per cent. to 1 per cent." This was approved with a renewal commission of 1 per cent. on six subsequent premiums.

In December, 1900, he wrote the general manager suggesting in view of the great growth of the company's foreign business that a further reduction be made. In June, 1902, Mr. R. H. McCurdy was elected general manager at a salary of \$20,000, which was increased on July 1 to \$30,000, the present amount.

He declares that all these reductions were made at his own instance, as he deemed them fair in view of the unexpected growth of the foreign business of the company, and that in accepting a salaried position in lieu of commissions he was substituted for a large income a relatively small salary. The business on which the large commissions were paid had no existence before re organized the foreign department. The work of developing the business in each country on different lines after a study of local conditions required repeated visits to foreign countries, the result of 18 years' work being that in 1903 the premiums received from foreign agencies amounted to \$10,579,695, and the ratio of expenses on this foreign business was only 27 per cent., which is not higher than a like ratio upon the company's insurance in this country.