

OUR WATCHWORD: "First, last and all the time"

Metropolitan Life

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"The Company OF the People,"

Review of 1906 and Annual

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To the Field Force:

GENTLEMEN:

It is our custom to address you each year at the time of our annual Superintendents' Convention. Usually this is held about the middle of January and the topic of the **Bulletin** is naturally the Annual Statement of the Company. This year the Superintendents meet in convention the middle of December, and obviously the record of the year is not made up, and it would be premature to set forth the progress of the Company in its business and finances. We shall have something very pleasant to say to you before we close about what you have accomplished; but our immediate object is to tell you about our plans for next year.

INDUSTRIAL DEPARTMENT.

You have known from numerous addresses, both oral and written, what our ambition has been for years in the Industrial part of our business. You will bear us witness that our treatment of the policy-holders has been one of progressive liberality ever since the present administration of the Company began. The very first year of its Incumbency Paid-up policies, theretofore unknown to Industrial Insurance in this country—were announced; and every year since then something has been done for Industrial policy-holders beyond any promise made in the policies. Bulletin No. 195 set forth these concessions and bounties up to its date and since then the successive years have been marked by progressive gifts and benefits offered to policy-holders; and this year the Company has been disbursing the enormous sum of **about two millions of dollars** in voluntary dividends upon non-participating Industrial policies; bringing the total amount of **unpromised dividends** in twelve years to **about ten millions of dollars** to Industrial policy-holders in the form of dividends on premiums, dividends on death claims and increases of benefits upon existing policies.

We have been enabled to accomplish this work all these years by steady improvements in business methods, by steady extensions of business territory, by steady additions to insurance in force, by watchfulness in writing and taking care of business, resulting in a decreasing death rate, decreasing lapse rate and decreasing expense rate. These improvements we have announced to you from year to year; but perhaps from this very fact—their gradual, steady progressiveness—you have failed to grasp their full significance. Yet year by year we have told you our aim—to reduce expenses, to improve the death rate, to better the policies, to distribute the surplus, so that each year a larger proportionate amount could be returned to policy-holders and a smaller proportionate amount used in expenses.

Within the last few years our disbursements for death claims have been so continuously and markedly less in proportion to income and our improvements in ratio of expenses shown so steady an improvement, that we thought the time had come to make a scientific resurvey, so to speak, of the technical features of the business. We have

made investigations into our mortality and drawn off into various periods our experience of mortality. The mortality tables upon which our present tables are founded were taken from the experience of 1890-1894. A comparison of this with tables taken from the experience of other periods has shown a steady improvement in mortality. In the case of children the result is really startling. Take for instance, age two next birthday. Our present table shows 49.3 deaths per thousand; a table 1896-1905 shows but 36.9; age three the figures are respectively 32 and 24.3; age five 16 and 9.8; age ten 5.5 and 3.8, and this improvement runs through the Infantile table. As to adults there is also a marked improvement.

These facts convince us that the time has come to construct new tables of benefits founded upon our experience of 1896-1905; and we are confirmed in our conviction by the fact that a table drawn from the years 1901-1905 shows a better experience than that of the full decade. And it seems to us just to base these tables upon the experience of white lives; and to give benefits based upon the improvement which we feel certain is permanent. How great this improvement is we illustrate by a few figures comparing the table upon which our present benefits are based with a table of white lives for the past ten years. Deaths per thousand: age two next birthday 49.3 reduced to 34.7; age three 32 to 22.5; age four 21.5 to 13.2; age five 16 to 9.5; age ten 5.5 to 3.4; age twenty 10.5 to 7.1; age thirty 15.7 to 11.1; age forty 19.3 to 14.3. The other element besides mortality involved in a table of benefits is of course the expense. As you know, our ratio of expense to premium income has been falling for some years; this year the reduction has been phenomenal and will reach, we think, by the end of the year, **three per cent.** This alone means a saving of nearly one and a half millions of dollars! We shall show a lower ratio of expense for 1906 than has been experienced by any Industrial company in the world.

One other element goes into the construction of tables of benefits; and that is the maturity of the policies. When we made up our present table we were convinced that the public was enamoured of endowments. Our Industrial business has been issued for ten years, as you know, mainly upon endowment tables—Increasing Life and Endowment policies and Twenty-year Endowments forming a very large proportion, in some years over 90 per cent., of our total business. One disadvantage of this table has been that it largely increased the reserve. Our children's Increasing Life and Endowment policies have been endowments payable after periods of 47 years and upwards according to age at issue. Compared with the Whole Life tables issued by other companies these have made necessary the accumulation of an increase of many millions of dollars in reserve. Unthinking persons come to the conclusion that this piles up the **wealth** of the Company, forgetting that along with the increase of assets runs the increase of liabilities, and that the **wealth** of a company consists in its surplus; and completely overlooking the remarkable fact that we have deliberately kept down our