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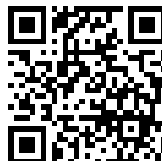

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LIFE INSURANCE

THE SWINDLE OF SWINDLES

How Our Laws Rob Our Own People of Billions

BY

PHILANDER BANISTER ARMSTRONG

NEW YORK

1917

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AUTHOR'S NOTES

"A license to steal." Can it be possible that Life Insurance, which is looked upon as a beneficence, is really a swindle; that these giant corporations which boast of "The Strength of Gibraltar" are monopolies, obnoxious to the Common Law and Statutes; their boasted assets a menace to the republic, not consisting of profits in legitimate trade, but assessments wrongfully taken from their own members—a mark of infamy, not a badge of honor?

Who suspects that the liquid assets of a few of our insurance companies are already far greater than all of the circulating medium of the nation; and, at present rates of increase will in 50 years, exceed the assets of the United States, which is not only the richest country in the world, but has the combined wealth of the two next richest countries, England and Germany; and at present rates of increase, these assets will, in 75 years exceed a trillion of dollars, more than the wealth of Europe and America combined?

These figures are startling, the emergency is imminent, and the reforms suggested must be immediate or the results will be a national calamity.

How has this state of affairs come about? How have these things been done "within the law" and yet the people know nothing about it? Read and see.

A "system" has been built up that even the courts are not permitted to penetrate. The law deals in occult phrases that nobody understands and that are interpreted by Insurance Superintendents to suit the companies which own them. Not only is the law at fault, creating a vicious system, but the companies juggle and falsify their reports to conceal crimes and make it almost

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impossible for any but an expert to understand their gibberish and unravel their mysteries.

They hide behind such undefined phrases as "net premiums," "legal reserves," "select and ultimate methods," "terminal reserves," etc, They base reckonings on Tables of Mortality that predict 2½ deaths for every funeral, and on assumptions that are known to be false; they assume that 100% of outstanding policies will become claims in full, while only about 16% of the face values are ever paid, and in actual practice, literally settle their death losses at 25 cents on the dollar. They assume that they earn but 3% only, while as a matter of fact, they earn over 24% on their reserve every year. This arises from the enormous forfeitures each year, the profits on which are never accounted for, as such.

The Old Line life insurance "system" is not only dishonest, but they **know** it to be a fraud. Net Premiums are over three times too large to pay death losses in **full** and **seven times too large for the net benefits paid,** and the real profits are concealed under "net premiums" and expenses amounting to criminal waste, and by malicious **falsifications** in bookkeeping and in official reports.

Under this vicious system, policyholders not only pay for other people's deaths for years, but they pay for their own death claims—often many times over.

The foundation of life insurance rests upon Tables of Mortality, from which tables, plus interest, are deduced the premium charges, and the amount of money necessary to be held as a condition of legal solvency. That is to say, the higher the death rate predicted by the Table of Mortality used, and the lower the rate of interest assumed, the greater becomes the necessary premium charge, and consequently the more money the companies must hold to meet legal (?) requirements.

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After an experience of 73 years, insuring tens of millions of individual lives, and having had millions of exposures to death at each individual age, the death loss per 1,000 at each important age involved in life insurance is known to a mathematical certainty. Therefore any Table of Mortality used that fails to predict within 2% of the actual death loss per 1,000 at each given age, from 18 to 46, which ages cover over 99% of the total insurance effected, may be regarded as wholly unworthy of public confidence. Any table used carrying with it 5% or more death loss than actually occur, may be branded as knowingly and willfully fraudulent.

Yet in face of this indisputable fact, we find the minimum Table of Mortality permitted by law, (the American) carries with it *not less than* 120%, *more than the actual.* Tens of millions of reserves are created by the use of Double American carrying with it 240% on actual. A score or more of tables are used in making up the reserve all of which range between 120% to 240% on the actual. *These self made laws legalize any Table Mortality so long as it is* 120% *higher than actual cost,* such as the American carries with it. *Nothing lower is permitted by these company made laws.*

Tables of Mortality place all companies on a parity,—the careful and prudently managed company has no advantage over the most reckless, neither has the most reckless any disadvantage.

The use of any Table of Mortality, in computing life insurance cost and determining the amount of money a company must hold as a condition of legal solvency belongs to the "Stone Age."

On the other hand actual *Mortality experience,* (which within itself, is an accurate Table of Mortality) is absolutely essential—it determines the "actual expectancy of life" and the actual deaths and excludes the-

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oretic deaths, for which no policyholder should pay, in whole or in part.

In order to do exact justice to each policyholder the individual mortality experience of each company must be used in order to establish its cost. The "expectancy of life" based upon such actual experience covering all exposures to death from the inception of each policy must be used as the *standard for computation* instead of dishonest Tables of Mortality. It must be clear that honest "expectancy of life" cannot be deduced from dishonest Tables of Mortality, neither can it be truthfully portrayed by the exclusion of the first five years of the insurance; such as all tables, including the Modern Woodmen carry with them.

In order to secure substantial justice to policyholders each company must base its cost upon its own mortality experience and upon its own profit earnings,—each receiving its reward or paying the penalty.

FORFEITURES

Forfeitures are the greatest crime in life insurance; they are the greatest, because, under the present dishonest system, they run into greater money.

Forfeitures of these vast Trust Funds by this institution of beneficence, by which neither the living nor dead can profit, should no more be permitted than in Savings Banks as both handle Trust Funds for the exclusive benefit of its own members.

Yet under the present dishonest system, the forfeiture of actual money by the 34 companies doing business under the laws of New York for the year 1914 as shown by Exhibit V, columns 28 and 30, were $569,930,573.00.

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No part of this immense profit from forfeitures by annuitants is included in the $569,930,573 forfeitures shown by Exhibit V columns 28 and 30. Neither has it ever appeared as a profit, in any official or home office report,—it, like all other forfeitures is hidden by actuarial cunning by the aid and connivance of the State Department of Insurance.

Even this vast sum does not include forfeitures on Annuities, Endowment or other high premium policies on which deaths occur during the years of premium paying. In other words, if all forfeitures were based upon honest accounting under an honest system, the profits from these forfeitures would be found to exceed $650,000,000 for 1914. Not one dollar of these identical forfeitures, and consequent profit, has ever appeared in any official or home office report since the foundation of life insurance 73 years ago, *as a profit.*

While it is true as shown by Exhibit V, column 25, the 34 companies show a profit on surrendered and lapsed policies of $16,546,757, it is equally true that this sum was a pure and unadulterated theft of the legal reserve belonging to the identical people thus robbed according to the companies own admission. This robbery of $16,546,757 according to existing theories becomes a part of the funds out of which bogus dividends are declared, *but no actuary has ever been able to explain why one class of policyholders, the poor and unfortunate, should be robbed in order to pay dividends to another.*

The forfeitures as above set forth prove conclusively the vast overcharges for life insurance protection, independent of expense charges amounting to over $1,775 on each $1,000 of "net death losses" paid,—a thing made possible, only by *margins in favor of the companies* and *against the policyholder running in every direction, from* 300% *to over* 1800% *on actual cost.*

The whole context of this volume may be found in one word:

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FALSIFICATION

Each and every one of the following items plays its respective part in the fraud and deception depicted.

False Tables of Mortality, false "Net Valuation," false laws, false interpretation of laws, false theories, false practices, false liabilities, false first year premiums, false renewal premiums, false premium income, false gross premiums, false net premiums, false invasion of net premiums, false full premiums, false death losses paid, false death losses incurred, false net death losses, false unreported death losses, false death losses paid on policies on which death occurs during the first calendar year, false expense loading and false saving on expense loading, false loss on expense loading, false expenses and falsification of false expenses, false legal reserve, false terminal reserves, false interest, false interest required to maintain reserve, false interest policy loans, false interest to policyholders, false investment expense, false actual investment expense, used to falsify actual expenses, destroy false interest earnings to create an actual "paper profit" equal to the sum disbursed, false salaries, false endowments, false standards of mortality and interest, false standards adopted, by false loss on interest, false loss on annuitants, false forfeitures by annuitants, false mortality gains, false select and ultimate method, false "special funds," false loss on assets, false "paid-for-business," false premium charges, false gain and loss exhibits, false general forfeitures, false stock policies, false cash surrender values, false paid up policies, false extended insurance, false dividends paid, false dividends allotted, false dividend credits, false cash dividends, false dividends advertised, false forfeiture of dividends and dividend additions, false pretenses, falsification of falsifications, and falsification of such falsification, false official reports, false home office reports, false interest allowed policyholder annulled by falsifica-

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tion, false use of practically every item under Section 97 of the law and general false uses of Section 84 of the law. All of these falsifications represent their accumulation by actuarial cunning for a long series of years, as the result of larceny on the part of the companies, and made binding upon the policyholders by a small coterie of Superintendents and Commissioners of Insurance (holding their positions by the grace of the companies), through a set of falsification blanks, added to as new falsifications are devised, furnished by them, under which blanks all falsifications become obligatory on the part of each and every company alike;

"A WHEEL, WITHIN A WHEEL."

All of these falsifications are carefully concealed from the common people by double-back-action bookkeeping involving innumerable cross-entries and hidden by meaningless jargons and actuarical sophistry, in order that "high finance" may prevail, at the expense of the widows and orphans, while the sole duty of these beneficent institutions it was to protect to the extent of the last farthing.

It is through trick and device as above clearly indicated that the robbery of widows and orphans of these 34 old line companies are now going on at a rate of not less than $2,250,000 daily and which daily robbery will double in the next 10 years as it has done in the past and even then robbery will only have but fairly begun.

Through the crimes enumerated, forfeitures, by which widows and orphans were robbed of over $650,000,000 in 1914 took place, without the slightest benefit to either the living or dead.

Interest earnings as shown by official reports which had first been falsified by amortization, became as completely nullified as if it never existed.

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Every debit and every credit is mathematically determined 50,60,70 or more years in advance, by which means the policyholder and the company just break even, whether death occurs in one day or "seventy-five years

Under the "System" there can be no such thing in life insurance, as over payments. There can be no such thing as death losses being less than the Tables of Mortality call for; there can be no such thing as earning more than 3% on the legal reserve, there can be no earnings on any part of the assets, in excess of the legal reserve, there can be no forfeitures, no lapses, no surrender, no paid-up-policies no extended insurance, but on the contrary each and every policy will remain in force until it becomes a claim. These are but a few of the absurdities of the existing laws carried out in actual practice by actuarial juggling concealing facts and perpetrating frauds.

The evil practice of falsifying each and every important item involved in life insurance cost is in fact far worse than the law itself; as will be clear to every student of the facts as are herein presented. Yet these evil laws and evil practices are permitted to exist.

Under existing conditions, the forfeitures alone equal seven times the "net death losses," even if such an item existed in fact.

The profits from all sources for 1914 of the 14 largest companies exceeding by a small fraction $10,000 on each $1,000 of net death losses incurred.

$7,300 of new reserves were created for death losses, but not one penny of this $10,000 remains, (after actuarial juggling has completed its work), to where $1,000 in old reserves on death losses, were released.

$89,133,106 was paid to the widows and orphans in 1914 as net death losses, whereas these same policyholders

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had accumulated through a long series of years, and there should have been paid to their widows and orphans not less than $589,542,833. Still in face of all these facts as well as dozens of others, the officers of these companies by throwing dust into the public's eye, lead to the general belief that the companies are managed with honesty, and inteligence, conservatively in the true interest of the widows and orphans, instead of being heedless of how many charitable institutions they fill, in their willful neglect, to make an individual accounting with each of its members and paying accordingly, the same as Savings Banks.

The author having shown the gross falsification resorted to by the companies, as cause for his criticism and rebuke, has not been unmindful of the fact, that the existing evils, flagrant as they are, must be treated with the utmost honesty both as to figures and deductions made therefrom. Therefore, in order to avoid the possibility of error that might inadvertently creep into this presentation, the "Printers' Proof" hereof was submitted to the leading companies for their criticism, comment and correction in figures presented. Therefore, the presentation as it now appears, states facts already presented to the more prominent companies. The deductions from these facts are, of course, our own.

The author's scientific knowledge of life insurance is founded upon the fact that he entered the business as a solicitor for the Aetna Life, March 2, 1868 over 49 years ago, since which time he has occupied practically every position in the business from solicitor to President of the American Union Life of New York, of which he was the founder.

It was as President of that company (1894) that he issued its Referendum, in which the then existing system,

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which was far better than it is today, was as completely condemned as set forth in this presentation.

As a result of that exposure, "High Finance" demanded and received his "official head" at the annual election 1895.

THE AUTHOR.

434 Sixth Street, Brooklyn.

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LIFE INSURANCE

THE SWINDLE OF SWINDLES

How our laws rob our own people of Billions

PART I.

AN HISTORICAL ANALOGY.

The Pirates of the Spanish Main acted under royal commissions granted by Queen Elizabeth. They despoiled the Queen's enemies of millions of treasure, and made the Queen rich. She rewarded them liberally with titles, but with comparatively little of the plunder. They received glory and fame, but very little cash. The Queen was commercial.

Certain courtiers preferred life in the palace to life on the raging main, and yet they yearned for both titles and cash. They persuaded the Queen that she, a Tudor autocrat, had power to issue patents of monopoly. They prepared their own royal commissions and she signed them. Up went the cost of living. The price of salt, for instance, was multiplied by twenty. The monopolists became enormously rich without risking a hair of their precious heads.

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A LICENSE TO STEAL

THOUSANDS were gained by the reckless daring of Freebooters, under "a license to steal" from the enemy on the open sea. BUT their license was open and above board; everyone could understand it; the execution of the license developed the most startling heroism, and laid the foundation of England's greatness on the sea.

MILLIONS were robbed from the Queen's own people, under cover, by the trickery of royal commissions which, at first, seemed harmless, but were really "licenses to steal" under the safe cover of monopoly. Mars, the God of War, reaped fame, startling an admiring world with dashing feats at arms; Mercury, the God of Cunning, the patron saint of Thieves, reaped great fortunes, unknown to the sleeping world, under the safe cover of law, and secretly ruled the Sovereign. Mercury, not Mars, was king.

But the time came when the plundered people awoke, and "got wise" to the game; declared all monopolies void under that indefinite and mysterious safeguard of the people known as the Common Law; confiscated the illegally acquired wealth of the Monopolists who were declared ineligible to Parliament; sent them into exile; and if they returned, cut off their heads, quartered their bodies, and hung up their quarters at the four gates of London: object lessons for Monopolists for all time to come. That Common and Statute Law, declaring all monopolies void, was inherited by, and remains the law of the States of our Union, and has been put into our Constitutions. It is a foundation stone of our palace of liberty.

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The principal offense that cost Charles I his head was the granting of monopolies after the courts had declared them illegal at Common Law, and Parliament had forbidden them by statute. **The people finally triumphed over their own laws and suppressed their own bosses, but it took two revolutions and much bloodshed.**

However, even intelligent—even very learned people, busy with their own affairs, forgot the lessons of 300 years ago. Our legislatures, owned by Mercury himself, by purchase, have passed laws that no lawyer can understand—laws cunningly built up—that have developed a Monopoly that robs the people, under the form of law, not of millions, but **billions**, and have enthroned Mercury as Ruler of Governments, State and National. He hides, not behind a royal Commission, but behind laws enacted by the People's "owned" legislators. These monopolists, like their prototypes of old, have prepared their own laws, and their bought-and-paid-for servants have passed and signed them. They have "a license to steal" that is profitable beyond comprehension.

This narrative is intended to "set the people wise", and to dethrone Mercury, and confiscate, or rather recover, stolen goods to the value of incomprehensible billions. When the people get their eyes open, they will follow the example of their ancestors 300 years ago, and take over their own.

However, WE do not have to **cut off** our ruler's head; we **vote it off.** OUR Revolutions are bloodless.

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MONOPOLY.

Every monopoly is illegal and void. No government, monarchical or democratic, can endure with even **one** monopoly within its jurisdiction. **One** monopoly will throttle and destroy any government. Give me a monopoly of any article in universal use—salt for instance—that gives only one cent a day per person profit, i. e., with a population of 100,000,000, $365,000,000 per annum; invest and reinvest this income at, say, 10%—to make the problem easy, and in less than 20 years, I will own over twenty billions—about 1-19 of the estimated assets, real and personal, of the United States in 1910, although the United States is far and away the richest nation on earth, now or ever. Monopoly is abhorrent, and is prohibited by every state constitution, but this kind of prohibition does not prohibit—**yet.** Our monopolists still hide "under a legal blanket" and grow fabulously rich under their "license to steal."

One modest, scarcely known monopolist, with the control of such enormous resources, could own every legislature, by paying the campaign expenses of 51% of the legislators; own every political convention and get himself nominated and elected perpetual John D. the First.

In one generation a monopoly in oil has given us the richest man that ever lived. 10% of his annual income would be enough to pay the expenses of both great political parties in a national election, and thus control the nation. But Mr. Rockfeller does not begin to have the resources and profits controlled by the Finance Committee

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of certain Life Insurance Companies, nor has he ever used his wealth so corruptly. The most dangerous enemy of the republic to-day is the Life Insurance Monopoly. Monopoly concealed in undefined and indefinite legal phrases is the most dangerous of all

Our ancestors fought two wars—had two revolutions—to get rid of tyrants who issued courtier-made concessions of monopoly which filched millions from the people for the benefit of favorites of the monarch. We have cunningly devised Finance Committee laws that filch **billions** from the people for the benefit of favorites of cunning Mercury

Life Insurance has become one of the necessities of modern civilization, and it should be furnished at cost. A short campaign of education will open the eyes of the people, and when the American people get their eyes open, look out for sparks. Woe be to those who get in the way of their vengeance. Old Line Life Insurance is a crime, and criminals belong in Sing Sing where there is no

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PART II.

HISTORY OF LIFE INSURANCE.

Life insurance is modern. Certain mediaeval Anglo-Saxon guilds had fixed contributions of members whereby they guaranteed each other against loss from "fire, water, robbery or other calamity". The first commercial insurance was Maritime, and as early as A. D. 1435, the Magistrates of Barcelona passed an ordinance in relation to it. The famous John DeWitt of Holland was the first to apply mathematical calculations to the value of life annuities. The first insurance company, the "Amicable", was established in Great Britain in 1695. Others were gradually started there; but for many years it was prohibited as immoral on the Continent of Europe.

The first American insurance company was organized in Philadelphia in 1759, for the relief of Presbyterian ministers, their widows and children. Other similar corporations followed, often combining various kinds of insurance, banking and trust functions, but public prejudice was too great, and they were not successful.

Modern life insurance really dates from the organization of the Mutual Life Insurance Company in New York in 1843—73 years ago—since which time companies have multiplied and laws have become complex and unintelligible; assets have piled up into billions, and Finance Committees, without a dollar invested, have become fabulously rich and abhorrently corrupt, and control governments.

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The first General Insurance Law was passed in New York State in 1849. We may fix upon the year, 1872, as about the time when honest life insurance began to become legalized plunder. About this time Finance Committees began to understand the possibilities of the game, and within a few years (say, 1882), dividends began to dwindle while premiums went up. Present premiums are about five times too high, based upon "net death losses". (See Exhibits II and III.)

Since that date laws have been so juggled and interpreted that new companies are now substantially impossible in the State of New York (see Exhibit VIII); old companies have a monopoly, the people are swindled, and in 50 years more, under present conditions and rates of increase, undivided surpluses (filched from widows and orphans) will exceed the assets of the nation. Our present national assets are about one hundred and eighty-seven billions (U. S. Census, 1910).

These surplusses have been acquired under sleight-of-hand laws, dictated by the courtiers themselves, not to an autocratic queen, but to dummy legislators, bought and paid for by the monopolists themselves out of policyholders' money.

> "Woe unto them that decree unrighteous decrees, and that write grievousness which they have prescribed;
>
> "To turn aside the needy from judgment, and to take away the right from the poor of my people, that widows may be their prey, and that they may rob the fatherless." (Isaiah X, 1-2).

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PART III.

HONEST LIFE INSURANCE A BENEFICENCE.

The founders of life insurance had but little, if any, reliable data on which to found their great beneficent institution in order to accomplish the object sought, viz: "protection for the family when the breadwinner had passed away". It contemplated giving the maximum protection at the minimum of cost consistent with absolute safety. It contemplated a most economical management, in keeping with other institutions of beneficence, and that each of its members should bear his share of both losses and legitimate expenses, **and no more**, and that any and all profits arising from whatsoever source should be divided in an equitable or pro rata manner among its members **every year.**

The founders had no thought that they were founding an institution for robbing Peter without paying Paul. They acted solely from unselfish motives, by providing an institution by which the thrifty and provident would, by the most speedy, economic and certain method of cooperation, provide for those dependent upon them for support, in the event of the breadwinner's death. This was the theory, and no one would doubt its wisdom had the plans been carried out honestly, and been corrected as they acquired wisdom from experience.

Honest insurance is simple; a child can understand it. It was designed to be a beneficent insti-

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tution like savings banks, and its laws and its bookkeeping should be as simple, its policyholders as safe, and its investments as certain. Its $30,000-a-year "actuaries" should be $1200-a-year clerks; its $90,000-a-year Presidents, who know little or nothing of practical insurance, should go to the ribbon counter, and its Finance Committees to jail. Who would think of permitting a savings bank to enter the realm of High Finance for the benefit of its directors, who are trustees of other peoples' money?

LIFE INSURANCE IS NOW AN EXACT SCIENCE.

73 years of experience (1843-1916) have made life insurance an exact science. Actuaries are not ignorant; they are dishonest. The statistics of millions of actual risks, carefully preserved and digested, determine within 2% of the exact number of deaths in each year at each age. The element of chance has been eliminated. We owe this to the records kept by the fraternal societies. No Old Line Company has ever kept **and published** honest records. They hide their crimes by the use of Tables they know to be fraudulent.

We have 60 years of experience with Fraternal Societies, including millions of real, not theoretical risks. Many of these societies were failures. Their managers were unskilled, often illiterate, but they were honest. The fittest survived. 60 honest years, under simple laws, and simple, honest bookkeeping, have given us the absolutely reliable data that have made life insurance an exact science. The dishonest records promulgated

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by Old Line Companies are a delusion and a snare. They designedly conceal the facts from the public, and no dependence can be placed upon their tables or official reports, which are deliberately dishonest.

The Fraternal Societies afford a startling contrast with 40 years of sleight-of-hand jugglery of "Old Line" Companies, with their crime-born laws, piling up huge surpluses, the manipulation of which is criminal; corrupting the People, and undermining the very foundations of government, and converting poverty-stricken Finance Committees into Croesuses.

Old Line premiums are from four to five times as large as Fraternal Societies **on the net losses borne by each**; Old Line expenses are about 18½ times as large as Fraternal **on the same net benefit**; Old Line surpluses are about 17 times as large as Fraternal; and $9.50 out of $10 of it are stolen goods, corruptly acquired and corruptly managed. They justify under the laws, but **they** inspired the laws; just as Elizabeth's courtiers inspired their own patents of monopoly; and robbery under the form of law is the most vicious of all. Monopoly concealed under forms of law, so as not to be recognized as monopoly, is the most dangerous of all.

We will analyze straight "level premium" life insurance only, as tontine and other sleight-of-hand policies, so popular for a time with the gullible public, are now prohibited by law, and endowment and other fancy-named policies are mere variants of "straight life, level premium" insurance. They are fancy bait to catch the unwary.

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PART IV.

ACTUAL COST OF INSURANCE.

The "actual cost" of life insurance varies each year according to the attained age, and, generally speaking, it is easier for a young man (whose "actual cost" is small) to pay premiums than for an old man (whose actual cost is great). Hence the popular method was devised of having a "level premium"—the same throughout life. This level premium is much **larger** than actual insurance cost at first, and should be **less** than actual cost in old age. (See Exhibits II and III.) It should be so adjusted that the surplus in early life, with interest, should just make up for the deficit in cost in old age. This cost is determined by the number of deaths per thousand risks at each age.

When thousands are insured, an average is struck. With a "level premium", one who insures at the age of 18 and has an "expectancy" of living 50.3 years, the premium is, of course, much less than such premium for one who insures at the age of 60 and has an expectancy of but 15.8 years.

A Table of Mortality—compiled through many years on millions of lives—is really valuable for two purposes only: to tell the average number of deaths at each age, and the expectancy of life at each age. From these facts we can determine the "actual cost" of insurance at each age **(provided every policy is kept in force until it becomes a**

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claim) and the exact amount of "level premiums" necessary to carry that cost till death.

In determining premium rates, all persons insured at a certain age are placed in the same class, i. e., if 1000 are insured all aged 20 years, it is known that **3.76** of them will die before attaining the age of 21 years.

We take the following from page 17 of Vol. II. of the report for 1913 of the Modern Woodmen of America:

"During the Society's history, 1883-1913, in-
"clusive we had 13,499,103 exposures, and it will
"be noted from the table that out of this 13,449,-
"103 exposures the Society experienced 74,859
"deaths during its entire history up to December
"31, 1913, or **an average death rate, at all ages**, of
"5.57 per 1,000 exposures per annum."

That is to say, if the Modern Woodmen of America, which is the largest fraternal insurance society in the United States, had assessed its members of all ages, $5.57 for each $1,000 of insurance in force, it would have paid all death claims. This is the actual average net death loss, allowing nothing for expenses, forfeitures, etc. The average annual expense per annum per policy in all fraternal societies is about $1.65. Add this sum to the $5.57 and we have the actual average cost of insurance, $7.22 per $1,000 per annum on these identical lives. Of course, the actual cost is far less than that sum for a young man and far more for an old man—99% of all insurances (Old Line) are effected between the ages of 18 and 46 inclusive. The average age is 31. The Old Line premium per $1,000 policy at the age of 31 is $25.05.

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PART V.

A FOUNDATION OF GUESSES.

In the early days, the founders of life insurance guessed at the average yearly death rate, and the expectancies of life, but they were careful to guess high enough. Having **guessed** at what the death losses would be, they guessed again, and placed the operating expense at about 20% of the premiums, on the belief that the business would continue to be small; but for years and up to 1872, their principal advertisements showed the actual expense to be about 12%, and the savings were returned to the policyholders in so-called dividends.

They knew that the "level premium" paid by a young man of 20 would leave a large percentage of it (legal reserve) on deposit for years, to provide against the greater risk of death at older ages, and that it would earn a profit when invested. Although the legal rate of interest was 6%, and that rate was then easily obtained, they guessed again, and placed the rate of interest returns on these investments at 4½%. They did not then know that there would develop, in the actual conduct of the business, actual "profits" from all sources of 20%. Interest earned became, in time, but a small fraction of actual profits. No company has **ever** earned so little **interest as** 4½%, however.

They **knew** they were guessing, but they were honest guessers, and provided that all savings

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from over-guessing, i. e., from fewer death losses, from less than 20% in expenses, and greater interest earnings than 4½%, should be turned back to the policyholder in dividends **each year**—AND THEY DID IT. The dividends were honest. They were large, and an ordinary life policy became fully paid in 24 years. That is, the policyholder had paid in so much too much, by the **small** premiums then in force, that, in 24 years, the amount to his credit was sufficient to carry the policy till death.

Those were the days when Finance Committees were honest. Now, the premiums are much larger,—about 50% larger, (See Exhibit VII)—but the dividends are **smaller**, not ¼ as large now as then. The expenses, instead of growing proportionately smaller as the business of life insurance increased, have now become a scandal.

How do they play the game, making 20% profits, but concealing it from the public?

They do it through loaded dice called "net premiums", based on fraudulent Tables of Mortality and 3% interest earnings instead of 20% actually "earned", and the fraudulent assumption that all claims will be paid in full.

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PART VI.

A GOOD THING GONE WRONG.

DISHONEST MATHEMATICS.

"FIGURES CAN'T LIE"; BUT LIARS CAN FIGURE.

HIGH FINANCE AND POLITICAL CORRUPTION.

They paid honest dividends as long as **they** were honest, but when business got brisk and the people came to **believe in** and rely upon life insurance and to become accustomed to their "guessed at" premiums, the premiums began to increase, and the **dividends** began to dwindle; and to cover up the swindle, expenses began to mount up to 177½% of the net death losses, interest dropped to 3% (although they were, and are, actually earning 17% to 24% on the legal reserve) (See Exhibit VII); additional expenses or "expense loadings" were invented—anything to get rid of premiums. It was like Congress throwing away money on "Pork Barrels" in order to get rid of the revenues from tariffs that enriched the manufacturers who put up campaign funds.

After a time, when Life Insurance became as much a matter of course as fire insurance, these premiums, already highway robbery, were actually increased from 25% to 50%, and an ignorant and gullible public stands for it. (See Exhibit IX).

An enormous surplus began to pile up, and the money value of large surpluses soon revealed

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itself to Finance Committees. This was kept on hand largely in CASH in trust companies that loaned **on call** on Stock Exchange collateral only. The stock of these trust companies was owned by the directors and the insurance companies themselves, and was manipulated by the Finance Committees. The three great insurance companies kept about $100,000,000 on hand in CASH all the time. High Finance ran riot. Surpluses and "legal reserves" became fabulous. It takes fabulous sums to satisfy High Finance.

This ready cash—hundreds of millions—loaned out on call loans only, the gambling transactions of the Exchange, would be withdrawn from circulation suddenly, first to create panics, and then turned loose to stop them, or to create flush speculation. Finance Committees, controlling these millions of other people's money, and **knowing in advance** whether the market would be flush or depressed—because they themselves made money tight or easy on the market—became personally enormously rich, and, besides, created enormous "Yellow Dog" funds to corrupt legislatures. These corruption funds seldom appeared on the books; they were created during these self-made "flurries" on the Exchange. The Finance Committees controlled the stock market absolutely, and the Stock Exchange ceased to be a gambling house. In gambling, you have **some** chance to win.

This was larceny, by trick and device—larceny pure and simple.

To be sure they acted "under the law" but the laws gave them "a license to steal".

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The laws are the great crime of life insurance and the enormous "legal reserves" are the burglar's tools.

LIFE INSURANCE AND POLITICAL CORRUPTION.

The "Financial Political Agent" of the three great insurance companies became the most powerful "statesman" in America. Political campaigns cannot be conducted without money—millions—and this agent furnished the millions. He dealt with Mr. Platt, the Republican Boss, and with Mr. Croker, the Democratic Boss, on an even keel. There were no invidious distinctions. Each boss went to the same man for campaign contributions, state and national.

A Republican Assemblyman, duly nominated, in a sure district, went to Mr. Platt, and got $2500 for his "campaign expenses"—nothing illegal about that. His campaign was waged in his own trousers pocket: no guilty dollar escaped. The Democratic Assemblyman received the same benevolence from Mr. Croker. His salary from the State was $1500; his gratuity from his boss (representing the insurance companies as an undisclosed principal) was $2500 the first year; second year campaign expenses are, of course, heavier, especially when the lawmaker is intelligent and obedient. Which master would he obey, the $1500 master or the $2500 master? No wonder that insurance laws were passed unanimously, and Finance Committees elected Senators and Judges; dictated Cabinet Officers and Ambassadors, and owned Presidents. No wonder that

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A LICENSE TO STEAL

Finance Committees saw the value of "legal reserves" and protected them by law so carefully that the "legal" owners thereof not only could not get them but could not even find out through the courts how much of it belonged to them. Finance Committees had constructed a political trust, and it signalized the most corrupt period of American politics.

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PART VII.

CUNNING AND REFORM

THE GREAT SCANDAL OF 1905.

Finally, Mr. Hyde, the principal founder of this Giant Machine for plunder, and the most skillful political manipulator of piled-up stolen millions, died, and an impertinent and indiscreet dude took his place. He was "impossible", and must be eliminated. There must be no discordant element. The three great companies must continue to act as one. Monopoly must be sustained. The Money Trust and the Political Trust must be twins.

The New York Life started a scandal against this impossible dude. The press took it up; fanned the flame; it became unmanageable; a conflagration. Result: an investigation by the Legislature —**properly controlled.** Insurance Presidents, State Insurance Department employes, and public men were disgraced and driven from office; laws were passed to prohibit tontine and other immoral policies; to prevent insurance companies from owning trust company stocks; and to distribute dividends annually—

BUT

the surface only was skimmed, the fundamental swindle of Life Insurance was not touched "for want of time"; the Investigating Committee and their lawyers, paid by the State, were duly rewarded by the companies also—the scandal of scandals. Finance Committees and their lawyers

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are never idle, and the new "reform" laws fastened a new and more gigantic swindle on the people: The premiums were not reduced; **they were increased**; the **legal** expenses were not reduced, they were **increased**; the old fake "guessed at" Table of Mortality was legalized; the 3% basis was made lawful; all the old, occult swindles were enacted into law and new ones authorized. Young Mr. Hyde was expatriated in Paris; Mr. Morgan, already controlling the New York Life and the Mutual, got control of the Equitable; a larger "legal reserve", already amounting to billions, so that, under the present laws, in 73 years more this reserve will, at present rates of increase, exceed the assets of the nation many times over, and **will never be distributed** to the widows and orphans to whom it belongs. Dividends must be distributed annually; the law says so; but the same cunning law provides for a fictitious solvency that requires a "legal reserve" so great and a surplus so flexible, that nothing substantial will be distributed in a century. The Superintendent of Insurance rules that nothing in the law prevents the accumulation of a surplus, in addition to the "legal reserve", and enormous surpluses are piled up on the flimsiest and most fraudulent pretexts.

Dividends are a fraud—sometimes suspended for years. They depend on the whim of the company and no court will control that whim. They average about 18% of the premiums that are 500% too large. Even that 18% is largely converted into "expense loading" and much of the

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remainder, say 2-3, is lost in forfeitures, and surrendered policies.

The worst and most corrupt insurance laws ever enacted in any country or state were the "reform" laws following the Hughes investigation of 1905, and introduced as the recommendations of the committee. They seemed fair on their face; the slaving agents were struck hard; certain immoral policies were suppressed; but certain innocent looking phrases not found in any dictionary—phrases that no one can understand and that have never been defined, piled up bigger reserves and authorized bigger expenses; and the Finance Committees quietly laughed. Bigger reserves meant bigger yachts.

No wonder the committee and its lawyers were abundantly rewarded by the companies themselves.

Verily the last state of our countrymen is worse than the first, UNLESS the people get their eyes open and take over this surplus and put Finance Committees into Mr. Osborne's Summer and Winter Resort on the Hudson, where they belong.

How was it all done?

How do they play the game?

GENIUSES AND REFORMERS

We worship geniuses and deify reformers. But a man may be a genius for mischief and a re-actionary reformer.

John A. McCall was given a small place in the Insurance Department, because he had been useful to the Albany Republican Political Machine,

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compared wth which Tammany is a timid schoolboy. He was made Superintendent of the Department. There he learned the secrets of insurance and was able to **demand** recognition: he was placed on the Equitable payroll at a fat salary. They were afraid of a man with secrets.

He combined his political knowledge with his "secrets" relative to the enormous profits of "mutual" insurance to Finance Committees, and the necessity of controlling legislatures. It was he who organized THE INSURANCE POLITICAL TRUST—the Big Three pooled their issues and he became their Political Financial Agent. Rude men would call him a lobbyist, as Senator Depew used to be for the New York Central, and, later, for the insurance companies. He furnished the campaign funds for both Platt and Croker, and was the most powerful Warwick in America. He was successful, and demanded as a reward not only cash but respectability.

He was made President of the New York Life, and his brother, a lobbyist for the insurance company and associated with Andy Hamilton and other corruptionists, was clothed with the ermine of a Judge, which he laid aside for the sealskin of a Public Service Commissioner, which soon got motheaten. Depew was made Senator, and the Insurance Ring literally owned the National and State governments by furnishing the money **on both sides** for elections. It was "heads I win: tails you lose".

President McCall was the Sampson who pulled down the house over young Hyde, and he perished in the ruins. The insurance scandal of 1905 was

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so fierce that an insurance-owned legislature was forced to appoint an insurance-owned investigating committee which appointed insurance-owned lawyers and actuaries to go just far enough to squeeze young Hyde's stock into Mr. Morgan's lap, and not far enough to reveal to the public the profitable secrets of "legal reserves", created by "net premiums", based upon fraudulent Tables of Mortality and an interest rate so low that no policyholder can realize more than the face of his policy, notwithstanding he has paid many times the actual cost.

Results: The impossible Hyde is expatriated in Paris; Mr. Morgan controlled absolutely the Big Three with their stupendous reserves; and new laws made the "system" secure and far more profitable. The object of starting the scandal was accomplished.

Mr. McCall had to get out of the New York Life but his relatives stayed in. There was no change in moral tone:

President: Darwin O. Kingsley, son-in-law,
Vice President: John C. McCall, son.

Leo McCall, son, does not appear on the salary list in the official reports, BUT he is the head of the Supply Department, a position that is said to connote great possibilities. Indeed, such "possibilities" were revealed in the 1905 "investigation".

The four Buckners, particular friends of the pious Perkins, Mr. Morgan's right bower, still draw fat salaries, and if there is any remote relative not provided for, someone has blundered.

And how delightfully this personally conducted

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investigation committee was cared for. The State paid liberally, but the companies paid munificently and promptly.

The Counsel: Mr. Hughes, selected from a well-known firm of corporation attorneys, was made Governor, and, later, United States Supreme Court Justice, where he could be useful. He had married a daughter of Walter S. Carter, of the firm of Carter, Hornblower & Byrne (later, Carter, Hughes & Caravath), attorneys for the New York Life. That is to say, the Insurance Companies selected their own counsel and their own inquisitors, who uncovered frauds amounting to 30 millions in a series of years, while they might have uncovered frauds amounting to two billions of dollars, if they had been in earnest. He was absolutely dependable. He would go just far enough, but not too far.

The Insurance Warwick immediately got busy and a nomination for Governor was handed to Attorney Hughes on a golden platter upon which Mr. Morgan had slipped a contribution of $20,000 out of a tidy sum of $313,923 in campaign contributions, that were "owned up to", substantially all of which came from insurance friends. Later he was nominated for President and now is the Attorney for the Equitable.

Assistant Counsel: James McKeen, who did the real work, was made General Counsel of the Mutual Life with a salary of $20,000 a year for life.

Assistant Counsel: Mathew C. Fleming was, in 1906, and had been for years, the confidential (?) attorney of the companies. Just think of that!

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Choosing the companies' own handy man to investigate them.

Senator William J. Tully: of the Committee, was made Solicitor of the Metropolitan Life, with a salary of $20,000 a year for life.

Assemblyman Robert Lynn Cox: of the Committee, was made Counsel and manager of the Association of Life Insurance Presidents, a new lobbying device, dispensing Yellow Dog funds, that ought to be suppressed, at a salary of $20,000 a year for life. $20,000 a year for life seemed to be the **market rate.**

How other "friends and avengers of the people" were rewarded, we do not know. They probably "took theirs" in cash.

BUT the greatest result of this reform investigation is found in the revised laws recommended by the Committee. Mercury, the god of cunning, is always on the job. Mr. Hughes' actuary, Miles M. Dawson, who marshaled all his facts for him, was the author of the new laws which have been denominated the slickest legislation ever "put across". These laws are worth billions to the companies. He was as valuable to the "hunted" corporations as Roosevelt was to the Steel Trust in the personally conducted Tennessee Coal & Iron panic of 1907, and was entitled to as great rewards. Dawson's §§ 84 and 97 of the Insurance Law are absolute marvels of legal legerdemain, and pile up billions in "legal reserve" and generously provide for extra millions in expenses. He invented "select and ultimate methods" which new phrase permits the companies to increase

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their expense funds or "expense loadings" enormously during the first year of a policy's life.

And later,—in the last year of Governor Hughes' administration—they sneaked through a monstrous amendment that gave the companies for expenses the **whole** premium on every policy terminated in any way during its first calendar year, so that the companies take for expenses 166% of the whole amount paid in by this new, over-pursuaded victim. Of course, **the other policyholders have to pay that extra 66%**

The "reform" legislation of 1906 and 1910 added over 100 millions annually to the burdens of policyholders—over 35 millions in expenses and about 70 millions in additional "reserve", which is ever increasing.

The "reform" law did not **reduce** expenses in any direction whatever; it **increased** them: that is scientific insurance. Of course, it did not reduce salaries: that would be unscientific. To be sure, it cut down agents' commissions, but it also provided for "agency supervision" which takes care of favored agents just the same. Any reduction in the commissions does not go to the policyholder, it is absorbed in Mr. Hughes' new "agency supervision".

How much of it goes into yachts?

Some "reform" law!

Some investigation!

Verily, Mercury, the god of cunning, has triumphed. The conspirators have accomplished their purpose. Poor McCall, who built up the Castle of Crime, after becoming enormously rich and building a palace that would make a king

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green with envy, was thrown to the wolves in disgrace. McCurdy, President of the Mutual Life, and Alexander, President of the Equitable, were also driven out in eternal disgrace, after being worshipped for years as Captains of Insurance Finance.

And when the people get a whack at the rest of them, where will **they** land?

But the crime of the century is the Hughes Reform Laws of 1906. They beat Queen Elizabeth's

Licenses to Steal.

This investigation was the prince of scandals. No wonder the companies rewarded the committee and its attorneys munificently. For every dollar contributed to the comfort of the investigators, they extract a $1000 every year to the discomfort of the policyholders.

THE SCANDAL OF THE HUGHES INVESTIGATION OVERSHADOWS THE SCANDAL OF THE INVESTIGATED.

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PART VIII.

LIFE INSURANCE IS SIMPLE.

Life insurance is simple and easily understood, yet so few understand it because it has been purposely made bewildering by legerdemain mathematics and incomprehensible phrases. The larceny of billions is concealed in the innocent looking words "net premiums". A policy has but two credits and two debits: (See Exhibits II and III, "Honest Accountings".)

CREDITS	DEBITS
1. Premiums	A. Death losses.
2. Earnings	B. Expenses.

1 and 2: The yearly premiums are fixed in each policy and easily added up. The actual gross earnings from interest on investments, forfeitures, &c. are easily ascertained at the end of each year. Add these together and we have **all** the credit side of the account. Simple, isn't it? There never ought to be a forfeiture of any kind, however, in an insurance company any more than in a savings bank.

A. The death losses can easily be added up at the end of the year—very simple addition. Besides, with 50 years of actual experience with millions of risks, **reliable** Tables of Mortality have been constructed from which death losses of the next year, or the fiftieth year from now, can be predicted with substantial exactness—within 2% of the actual. The only value of these tables is to determine in advance a fair and safe "level prem-

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ium'' for the life of each applicant at his age on taking out a policy. When these premiums have been once determined, there is no use for such tables in insurance computations. If a man dies, he dies, whether his death is predicted or not.

B. The expenses can be added up at the end of the year—add the death losses and the expenses together and we have the total disbursements for the year. Simple, isnt' it?

Now subtract the gross disbursements from the gross receipts and you have the net surplus for the year, which represents just how much too large your premiums are. Call in a grammar school boy for your actuary.

(1) Premiums, (2) Earnings, and (A) Death Losses, are simple addition, but (B) Expenses, have been made the marvel of the ages. They ought to be simple also. The brightest and most inventive intellects have devoted their lives to devising new expenses and concealing them under complex phrases, so as to absorb robber premiums, and when that invention is exhausted, they throw the balance into "legal reserve" so as to be solvent "in law", although each policy holder pays into the company **in advance**, each year, four or five times enough to meet all net death losses of the year.

Why any "reserve" at all, when each year each policyholder pays **in advance** four or five times enough to meet the legitimate disbursements of the year? See Exhibits II and III. However, "legal reserve" must not be confused with "assets". Savings banks have assets but no reserves.

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Savings banks have any number of entries to each customer each year. They keep a separate account for each, and credit the earnings every six months and give a statement on demand. Their gross expenses average from $1.20 to $2.30 per account per annum. The gross expenses of Old Line companies average $25.98 per premium payer per annum. Why should the expenses of an insurance company be greater than those of a savings bank.

Fraternal societies have 12 or more payments each year and, without trouble, adjust the monthly payments (premiums) so as to make them substantially equal the disbursements, and they give their bookkeeping the widest publicity. The laws relating to them are so simple that a child can understand them. Their expenses per policy per annum average about $1.65. Some difference between $1.65 and $25.98. Why?

The average annual death loss per 100,000 risks (of $1,000 insurance each) in Fraternal Societies is slightly in excess of those in Old Line companies. Good fellowship, or neighborly feeling sometimes warps the judgment of the examining doctor.

The average assets for each $1,000,000 outstanding insurance in Fraternal Societies is $13,000.

The average assets for each $1,000,000 outstanding insurance in Old Line companies is $340,000, or 26 times as great as the Fraternal.

Each is legally and commercially solvent. The Insurance Departments say so; **and they are,** BUT THE LAWS ARE DIFFERENT.

An "Old Line" company could sink its enorm-

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ous reserve in the bottom of the sea, and get it back in 30 years from its robber premiums. Each company could liquidate and increase its reserve during the process, yet under those insurance-made laws, they are called barely solvent.

In the last five years, "Old Line" gross death losses have increased $98,687,100; the legal reserve of the same companies, the 34 New York companies, increased $795,201,300 or 7.99 times as much. Yet the **net** death loss, which is the true test, has increased less than $10,000,000. Why? Thimble rigging "within the law". Legal reserves supply Finance Committees with Yachts.

Who would want a license to steal ?

Why are not these enormous Old Line reserves and surplusses distributed as dividends—as they used to be? Bless your dear ignorant soul, THE LAW WONT PERMIT IT. Who passed such remarkable laws? Why, the Finance Committees, of course, through their dummy legislators. What are these queer laws? "Search me"—who can say? Who can understand them? It is the actuaries, not the laws, that use algebra, logarithms and the differential and integral calculus to determine "net premiums" and "net valuations", the jokers that pile up billions in "legal reserves".

How many "statesmen" at Albany would recognize a calculus on the street?

We repeat: Insurance laws and Insurance Superintendents are the great insurance crimes. The instrument of crime is the great "reserves". The result of the crime is

Millionaire Finance Committeemen

Elizabeth's courtier monopolists were mere kindergartners.

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PART IX.

LEGAL (?) RESERVES.

Reserves of old line companies are known as, "legal reserves," doubtless from the fact that not less than 75% thereof is wholly *illegal*, even under the unspeakable provisions of the "yellow dog fund" laws under which these companies operate. That is to say: even by the use of fraudulent tables of mortality, and fraudulent 3% earnings fixed by law, if the reserve on each policy in force were computed under these two fraudulent legal assumptions, even then the reserve on each policy in force would be found not to exceed $100.94 on each $1,000 in force. This $100.94 is the average reserve accumulation on an ordinary life policy, taken out at the age of 32, at the end of 8 years, based upon net premiums plus interest. Both the age at entry, 32, and the 8 years for accumulation, represent the average necessary reserve on each policy, under present interpretations of the law. Therefore the reserve of $100.94 may be accepted as representing the average reserve required by law under conditions as they exist, and which actuaries tell us is a "mathematical necessity." Yet in face of this, the companies, through a system of forfeitures and adding interest to interest on reserves forfeited by those whose policies have terminated from all causes during 73 years, have built up this so-called legal reserve to $340.00 on each $1,000 insurance outstanding, exclusive of "interest required (?) to maintain reserve," $129,170,185, which was fraudulently deducted in advance from the interest earned during the year thereby surreptitiously adding that much more to the reserve than appears on the face of the reports.

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This shows that the companies possess 3.4 times the reserve that they declare to be a "mathematical necessity."

In other words, without any further premium payments without one further dollar in profits, they could pay a death claim of 34% on all policies now in force, regardless of the fact that only 11% of all policies will ever become death claims.

But matters do not stop at this point, because if assets were honestly appraised, it would be found that such assets exceed $1,200,000,000, and 95% thereof at least are covered by liabilities as fraudulent as the reserve itself.

Coming back to the reserve itself, based upon fraudulent tables of mortality and a false "legal" low rate of profits, the reserve is found not to exceed $100.94 on each $1,000 insurance in force.

Now let us base our facts upon actual mortality and actual profits, at the average rate realized for 73 years, and take into consideration the premium that will be paid annually in the future, and at once we discover that legal reserve disappears not only in its entirety, but that the present assets could be sunk to the bottom of the sea and the companies could not only pay all claims in full, but, within from 22 to 25 years, they would have as much money as they possess to-day and could again go through the same process of destroying their assets, recouping again in the interval named. See Exhibit XI, Liquidation, New York Life.

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A LICENSE TO STEAL

PART X.

"LEGAL RESERVES."

THEIR MAGNITUDE AND DANGER.

The entire wealth of the United States is called 187 billions (1910)—more than the combined wealth of Great Britain and Germany before the war. The assets of the Old Line Insurance Companies, doing business in the State of New York, are about five billions; this is what they "own up to". These figures are sufficiently startling, but when we consider that such surpluses are wholly unnecessary, and have been accumulated in so few years, they are still more startling. It is the rapid ratio of increase that threatens financial disaster to the United States, unless it is checked. We will give a few statistics.

The assets of the 20 largest Old Line companies in 1842 were nothing.

In 1874 (18 companies) they were $	271,807,840;
In 1884	422,358,497;
In 1894	945,668,633;
In 1904	2,252,910,700;
In 1914	4,292,116,709;
In 1915	4,804,100,554.

The percentage of increase of assets in these 20 largest companies is as follows:

From 1874 to 1884, 115%,
1884 to 1894, 224%,
1894 to 1904, 238%,
1904 to 1914, 190½%,

an average increase of assets in each ten years of

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202%. The slight decrease in average from 1904 to 1914 may be traced to the great scandal of 1905, the worst feature of which, the investigation itself, was never revealed, and the smudge of the scandal is now about forgotten.

If we assume an average increase of 200% for each decade in the future, these 20 companies alone will, in 1964, 50 years from 1914, have the incredible sum of $153,347,734,688 in assets. Just think of it! One hundred and fifty-three BILLIONS, nearly equal to the value of all the assets, real and personal, in the United States, in 1910, according to the Federal census; and the United States is the richest nation on earth.

In 1986—72 years from 1914, when the Mutual was 72 years old—at the same rate of increase, the assets of these 20 companies will reach the inconceivable sum of $981,425,502,003, ALMOST ONE TRILLION OF DOLLARS, equal to the wealth of all Europe and America combined. These 20 companies have about 80% of the assets of all the companies doing Old Line business in the United States.

It will be remembered that these companies do not make "profits". These accumulations are filched from their own members.

But these stupendous reserves are required by law. These stupendous expenses are allowed by law, and passed as satisfactory by Insurance Superintendents.

Finance Committees ought not to be contented with yachts. They ought to have fleets. They ought to float an international navy, support an international army and select a universal king,

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young McCall, for instance. And yet the late investigation into the great scandal of 1905 resulted in larger premiums, larger expenses, larger reserves and smaller returns to policyholders.

In these remarkable statistics we have treated the Metropolitan and the John Hancock, doing industrial insurance, as merely ordinary companies. These companies fatten off the poor, writing policies as low as $10, and collecting weekly as low as three cents. Their lapses are enormous—Prudential over 1,400,000 (1914) and 1,254,786 in the Metropolitan, and they are piling up assets like mountains—far outstripping the ordinary "Old Line" companies. They will soon have all the earnings of the very poor unless the state governments step in and protect them by giving them insurance at cost; and they are entering, and pushing, the Old Line field also.

INDUSTRIAL INSURANCE is Old Line insurance applied to small policies and all ages from the cradle to the grave. The very poor buy them. It is like buying coal by the bucket in the tenements. The premiums charged are correspondingly outrageous. The profits are enormous and the Big Three Industrials, at present rates of increase of "legal reserve", will, within 50 years, outstrip the entire Old Line companies combined. Indeed, the Metropolitan and Prudential alone will do this. Their profits are almost inconceivable.

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THIRTY YEARS GROWTH OF INDUSTRIAL COMPANIES.

Assets and percentages of increase.

METROPOLITAN

1884	$ 2,304,000	
1894	22,326,000	969%
1904	128,094,000	573%
1914	496,862,000	309%
1915*	541,283,326	
		1851%

per decade, average 617%

PRUDENTIAL

1884	$,752,000	
1894	13,014,000	1698%
1904	88,511,000	680%
1914	370,358,881	418%
1915 **	383,983,000	
		2796%

per decade, average 932%

JOHN HANCOCK

1884	$ 2,624,000	
1894	6,673,000	254%
1904	31,756,000	475%
1914	116,186,000	365%
		1094%

per decade, average 364%

At this average rate of increase per decade these three Industrial Companies will, in 30 years more, have 250 billions of assets, and in 40 years would have the inconceivable sum of one and one-

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half TRILLIONS ($1,593,875,234,368.) all filched from the very poor.

This growth of "legal reserves" is startling, and the corrupt use of it is vicious.

Who would want a license to steal ?

* paid out for capital stock, $ 6,000,000
** paid out for capital stock, 18,200,000

by which, assets were lessened by these respective amounts.

THE PRUDENTIAL SCANDAL.

Take the Prudential, "Firm as the Rock of Gibraltar", for example. Organized in 1877, 40 years ago; capital stock paid in $15,504. Just think of that munificent capital of $15,504! And not one dollar of cash has ever been put into it since. From 1877 to 1886—nine years—it did an Industrial Business exclusively, i. e., insured babies, women and old men—everybody, anybody. Its policies ran from, say, $30. to $197. During this period, it had taken in in premiums and interest $5,032,931; had paid in death losses $1,331,111 (26.4% of the premiums); had "charged up" $2,661,004 for expenses (53% of the premiums and 200% of the death losses) and had $1,040,816 in net assets with a membership of 442,671 (1886). Some growth for a babe!

From that time this infant of 10 years began really to grow, and on December 31, 1914,, its assets were $370,358,881, its income $103,217,372; its membership 12,835,645 (1/8 of the whole number of people in the United States), and its outstanding policies were $2,506,882,000.

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The stockholders have not been wanting in dividends on their rash investment of $15,504. Not mentioning salaries paid to these same stockholder-patriots, they began with modest dividends of 96% per annum in 1886; then gradually voted themselves less modest, but more adequate, dividends up to 1300% per annum and finally slipped in an additional $400,000 in dividends just before "selling out to the policyholders", making their final swan song annual dividend, $600,000, to themselves of 6900% on their rash investment of $15,504.

Notwithstanding the modesty of the stockholders, they were not modest enough to allow their modest $15,504 to remain at that modest figure, and stock dividends were declared in addition to cash dividends, and modest salaries. The stock and dividends were increased as follows:

	Amount Outstanding stock.	Annual Cash dividends.
1877	$ 15,504	
1886	149,950	$ 14,850
1888	209,300	80,730
1890	418,600	20,950
1891	837,200	83,720
1893	2,000,000	200,000

BUT this was not satisfactory. In 1915 there was an enormous surplus, and the stockholders were hungry for a slice of the pie. The public was beginning to make enquiries. A larger dividend than 10% on the $2,000,000 capitalization (13,333% on the original investment) would hardly bear an investigation. "Mutualization" became a popular theme, and the stockholders

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(officers) familiar with the game, and knowing the trick of handling surpluses to advantage, very generously "sold out" to the policyholders at $910 a share, or the modest sum of $18,200,000, i. e. each stockholder who had invested one dollar in 1877 and which at 6% compound interest would, in 1915, have amounted to $9.15, had received in principal ($18,200,000) and dividends ($6,409,-650) $2,976,49 for each $1 invested. Some difference between $9 and $3,000! That is to say, their $15,504 invested at 6% compound interest for 38 years would amount to $141,923.62. They received in principal and simple interest only $24,609,650 or 173.4 times 6% compound interest, and THEY STILL HAVE THE COMPANY and are drawing enormous salaries.

This sale of Prudential stock, "raw" as it may seem in the light of this exposure, will pass into history as one of the most adroit and clever schemes ever conceived for robbing the poorest of the poor. Get Rich Quick Wallingford was a mere kindergartner compared with Senator Dryden. It has no parallel in High Finance; but they "got away with it" and have continued in a career unparalleled in wanton extravagance.

On December 31, 1914, this company had 12,835,645 policyholders of which 866,024 had Old Line policies (first issued in 1906) and 11,969,621 held industrial policies. On the same date, the New York Life had 1,142,253 policyholders, the Mutual, 723,829, and the Equitable 612,997; i. e, the Big Three Old Line Companies had 2,479,079 policyholders or less than 1-5 of the policyholders in this **one** Industrial Company alone, while the

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Big Three Industrials had in 1915, 32,451,792 policyholders, or 13½ times as many as the Big Three Old Line Companies combined. They had a gain of two million policies in the year. Just think of it: these three Industrials have one policy for every three men, women and children in the United States.

In 1915, the Industrial Companies (on the recommendation of the Superintendent of Insurance) caused a law to be passed increasing their expenses over the other companies. Of course, the officers—former stockholders—get no benefit from these increased expenses! Their salaries have never been cut so far as heard of.

Industrial policies in the Prudential average $131 each on which 10 cents a week or $5.20 annually, an exorbitant rate, equaling $39.70 per $1000, is charged. In 32 years, the policyholder has already paid in $166.40 (to say nothing of interest) in order to get $131 at death, and he must keep on paying.

Industrial insurance, generally speaking, has no Paid-up Policies or Cash Surrender values. Keep paying, or lapse. And the lapses are enormous. 1,144,086 lapses in the Prudential to 125,588 deaths, about 10 to 1. When we remember that those who died, paid in in the aggregate far more than their combined death losses, is it a wonder that, at present rates of increase, the assets of **any one** of the Industrial Companies—14 in number—may, and probably will, soon have more assets than all of the Old Line companies combined, AND ALL TAKEN FROM THE VERY POOR.

Who would want a license to steal?

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THE METROPOLITAN LIFE.

The Metropolitan Life commenced business January 1, 1867, as an Old Line company, with a paid up capital of $250,000, which was increased by actual cash to $500,000 in all, in 1886. Surplus was capitalized in 1891, making the capital $1,000,000. In 1892, surplus was again capitalized, making $2,000,000 in all, i. e. 400% of the original investment. A 7% dividend has been paid annually except in 1889 and 1890; 10½% being paid in the former and 14% in the latter.

In 1880, it conceived and put in operation industrial insurance, and during the first year wrote 5,143 policies, with yearly increases as follows: 110,193; 190,348; 335,789; 526,042, with 1,066,875 in force the eighth year, and 13,588,050 members at close of 1914. In the meantime its Old Line business had increased from 7,680 policies in 1880 to 1,255,058 in 1914. Its assets in 1880 were $1,664,122; in 1914, they became $496,962,771; multiplied 298.57 times in 34 years, or 877% per annum.

Ordinary salaries, home office,	$1,627,841.26
Industrial salaries, home office,	2,403,177.12
	$4,032,018.08

Some salaries!

Industrial Insurance is a swindle of such gigantic magnitude that its literature should be excluded from the mails; its business suppressed; and taken over by the State; and the very poor given insurance at cost.

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A LICENSE TO STEAL

Industrial Insurance is not a mere license to steal; it is plunder, burglary, highway robbery, piracy—worse yet, HIGH FINANCE.

The total circulation of money in the United States was in 1915 (gold, silver, certificates, greenbacks, national bank notes and federal reserve notes) $3,585,140,626.

The Old Line companies doing business in this State of New York, alone, had on December 31, 1914, assets aggregating $4,636,774,020.60, or 29% **more** than all the circulating medium of the United States.

Just think of it! There are 14 companies which alone have assets larger than the outstanding currency of the United States; and they are liquid assets, most of which can be converted into cash on a day's notice on the Exchanges.

Besides, these gigantic sums are wholly unnecessary; have been collected by corrupting legislatures, buying political machines, and deceiving the people. If they were vicious when young, what will they do when older and don't know what to do with their money?

What will become of our country when, 50 years from now, the Industrials and Old Line companies will have, not more assets than the United States, but more than the United States and all Europe? What will become of our country when these tainted billions have to be preserved by further corrupting influences backed by Yellow Dog funds of inconceivable magnitude?

To whom do these boa constructor reserves belong? To policyholders, dead and alive.

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Who manipulate them? Finance Committees.
Who own yachts ?

THE FOLLOWING DEMONSTRATION IS UNANSWERABLE:

The admitted assets of **all** the companies doing business in the State of New York, except one small company just trying to break into the game, were, on December 31, 1914, $4,636,774,621. (four and one-half billions); amount of insurance in force, $14,933,150,899, (fifteen billions). (See N. Y. Report, 1915). These assets of four and one-half billions, if invested, at compound interest at 4% for 30 years; at 5% for 24 years; or at 6% for 20 years would exceed fifteen billions of dollars.

That is to say: If every policyholder should die with his policy in full force for its full amount, all policies would be paid in full without asking a dollar in future premiums. The present assets are enough to meet all liabilities, for the policyholders do not all commit suicide on one and the same day, but the average "expectancy" of insured lives is about 32 years.

However, official returns show that from 33⅓% to 55% of all policies issued will lapse; will never become claims at all—everything will be forfeited; a very large percentage will be surrendered for a small fraction of their true value; an average of only about 1 % of these policies will become claims by death or maturity and become a fixed liability for the full amount. That is, only a small fraction of the fifteen billions will ever be paid (probably only from three to five billions) and the amounts actually paid will be paid from

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one to seventy years from date. And yet they have four and one-half billions on hand—which is just enough for legal solvency "under the law" —to pay from three to five billions on an average of 32 years from now.

AND BESIDES, these same companies collected premiums in 1914 of $653,920,894 (654 millions). If the policyholders all live for 32 years, they will have paid during that period in premiums $20,925,468,608—nearly 21 **billions**, to say nothing of interest. With interest, we have the following:

$653,920,894 paid annually for 32 years, will amount to the following:

at 3% $35,364,041,947 (35 billions)
4% $42,642,181,497 (42 billions)
5% $51,698,985,880 (51 billions)
6% $62,998,738,928 (63 billions)

and 63 billions is 1-3 of all the assets of the United States in 1910. Just think of it. With their present assets (without receiving any further premiums) the companies could pay every claim in full as they matured, and probably three times over; nevertheless they will keep on receiving premiums from these same policyholders in the almost inconceivable sum of 63 billions, 1-3 of all the present assets of the richest nation on earth.

No wonder it is boasted that they could sink all the assets of these companies in the bottom of the Pacific, and they would have larger "legal reserves" in twenty years than now.

SOME SCHEME!

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A LICENSE TO STEAL

Who would want a license to steal?

AND YET they tell us with a straight face that the "net premium" is the part of the premium "mathematically necessary" to meet death claims, present and future. And when once "set aside", it is gone forever, as far as the policyholder is concerned.

The crime of life insurance is the law which requires solvency to be based on the "net premium basis".

There is another easy DEMONSTRATION of the fraudulent character of the owl-wise proclamations of actuaries and their learned desertations which define the NET PREMIUM as "the "amount which is **mathematically necessary** for "the creation of a fund **sufficient** to enable the "company to pay the policy in full at maturity". (The Mutual Life's "Educational Leaflets". p. 10.)

Stock life insurance companies are not conducted for the health of the stockholders. They are not benevolent societies like the "mutual" companies; they are gross materialists and "want to be shown", profits which go into the pockets of the stockholders. AND YET the **gross** premiums of these grasping stock corporations are **less** than the "net premiums" of these sanctimonious mutual professors. Look at the following rude and unladylike comparisons:

Remember, the Travelers' is a hard-hearted stock company, without the milk of human kindness,—profusely advertised,—running in its veins.

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Age	Travelers' GROSS Premiums per $1.000 Straight Life Policies	American "Experience" Table 3% NET Premiums	Old Line Gross Premiums		
			Regular	Sesqui American	Double American
20	14.02	14.41	19.21	28.81	38.46
25	15.70	16.11	21.49	32.33	42.98
30	17.88	18.28	24.38	36.57	48.76
35	20.91	21.08	28.11	42.17	56.22
40	24.91	24.75	33.01	49.51	66.02
45	30.48	30.84	39.55	58.82	79.10

This is almost equal to the public spirited Postal Life which adds 30% to the ordinary Old Line gross premiums and then boastingly advertises a guaranteed dividend of 9½%. (See Exhibit VIII.) Can it be possible that the insurance trust is not an eleemosynary institution after all, but has some ulterior, worldly motive, and that the wicked, dollar-grabbing stock companies only charge as much for death losses, expenses and dividends on stock combined as the benevolences declare is "mathematically necessary" for death claims alone? Perish the thought! How can this sordid stock company, the Travelers', make 6% dividends on its stock, when the Old Line "mutual" premiums are 37% higher than its own. They ought to join the Professional Charities Societies which spend $4 to send a one dollar chicken to the poor.

The 34 New York companies have on hand nearly five billions. They could throw it all into the sea; reduce their premiums to 1-3; liquidate every claim and have a substantial balance left.

Who would want a license to steal!

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A LICENSE TO STEAL

PART XI.

"NET PREMIUM"
and
"TERMINAL RESERVE"

CAUSE AND EFFECT.

The Burglar's Jimmy and The Master Key.

The one bags the plunder; the other locks it up forever.

The layman will naturally ask: "How can these alleged enormities be true? There must be some law authorizing these things that have gone on for generations—almost from 1843, when the Mutual Life began business. It is hardly believable. How is the game worked? How have all the people been fooled all the time, for so long? We will explain.

THE LAW OF INSURANCE SOLVENCY.

§82 of the Insurance Law in effect defines a solvent company as one which "has actual funds "**invested according to law**, of a net cash value "equal to its outstanding liabilities (That is plain "and sounds all right) *** and a sufficient reserve "("legal reserve") on policies and claims not "matured, CALCULATED according to the "American Experience Table of Mortality, with "interest at 4½ (3%) per centum per annum, and "in computing such liabilities, capital stock shall "be considered as a liability of the corporation." (We are suspicious of that word "calculated". How do you calculate "legal reserve"? The law doesn't state, and the legislators couldn't "cal-

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culate'' it to save their jobs which is, to them, far more important than ''saving their souls'').

§83 provides that every domestic life insurance corporation shall provide in every policy issued on or after the first day of January, 1907, that **the proportion** of the surplus **accruing upon said policy** shall be ascertained **and distributed** annually and not otherwise. (Why will not some court enforce that law?) The section then provides for exceptions enough for ''contingency reserve'' &c., &c., to delight the heart and stimulate the imagination of any actuary.

§84 provides: ''**Valuation of Policies.** The ''Superintendent of Insurance shall annually ''**make valuations** of all outstanding policies, additions thereto, unpaid dividends, and all other ''obligations of every life insurance corporation ''doing business in this state. **All valuations made** ''**by him or by his authority** shall be made upon ''the NET PREMIUM BASIS. (What does that ''mean? There is the joker. Consult all your dictionaries.) The legal **minimum** standard for ''contracts issued * * * on and after said day ''(January 1, 1907) shall be the American Experience Table of Mortality with interest at 3½ per ''centum per annum.'' (What does ''standard for contracts'' mean?)

This section provides for the ''select and ultimate method'' (consult more dictionaries) which gives the companies more ''expense loading''—$18,641,319 for 1914; it provides that the Superintendent ''may VARY the standards of interest and mortality'' &c. (Some Czar). It also provides: ''Any life insurance corporation may **vol-** ''**untarily value** its policies or any class thereof,

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"according to the American Experience Table of "Mortality **at a lower** rate of interest than that "above prescribed, but not lower than three per "centum per annum, and **with or without** refer- "ence to the select and ultimate method of valua- "tion." (This allows the companies to determine their own liabilities. Under this permission, all those companies that had already piled up a big enough "legal reserve" went on the 3% basis the very day the law was passed and increased their premium rates the same day. The Equitable has not been able to go on a 3% basis yet, but it is hustling.

§97 provides "Limitation of expenses". It **does** limit the poor agents' commissions, but it also provides for the payment of "**actual invest- "ment expenses** (not exceeding one-fourth of one "per centum of the **mean invested assets**) "(Whew!) and also excepts **taxes on real estate "and other outlays** exclusively in connection with "real estate, **in excess** of the aggregate amount of "the actual **loadings** upon premiums * * * (That is to say, the Investigating Committee's delight- fully innocent laws, inspired by the companies themselves, in **limiting** expenses, not only gave the companies greater "loadings" for **greater** ex- penses, but also invented new expenses (invest- ment expenses, taxes and real estate charges) which are not taken out of "expense loadings" at all but from "net premium", thereby theoretically making the companies insolvent by invading the precious "legal reserve".

For the enormities of §97 see "The Crime of **1910," page 108.**

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Lawyers, what would you give for the privilege of investing those billions of "mean invested assets"? Would you not make millions out of it every year, after paying well for the privilege? And yet this "reform law" gives the high salaried officers of insurance companies the opportunity of paying some favorites the stupendous sums represented by ¼ of 1% of billions of invested assets for **investing moneys!**

To summarize the law: every insurance company, in order to be solvent "within the law" must have on hand enough "funds, invested according to law, of a net cash value equal to its outstanding liabilities" (i. e. its **present** liabilities under all policies in force). It must keep on hand a sufficient sum ("legal reserve") to meet all these liabilities when they become claims, which reserve must be "calculated according to the American Experience Table of Mortality with interest at 3½%" (or optionally, 3%). The present valuation of outstanding liabilities under policies (i. e., the amount the company owes **today** under policies that will become claims of, say, $1000 or $10,000, **when each policyholder dies**) "shall be made upon **the net premium basis**" calculated according to the death rates predicted by the American Experience Table of Mortality and earning interest on the "legal reserve" remaining in the company's hands at 3½% or 3% per annum.

The above is the basic law. Of course it means nothing to a layman. No dictionary will explain it. Learned actuaries have written learned dissertations on it, and some of them could even work out tables of net premiums by mathematics, but no agent ever explained it to a prospective

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victim so that he could understand it. There are many definitions of "net premiums" and the Mutual's definition in "Educational Leaflets" (p. 10) a book for agents, will do as well as any:

"The **Net Premium** is the amount which is "**mathematically** necessary for the creation of a "fund **sufficient** to enable the Company to pay the "policy in full at maturity."

The victim will take this definition on faith, and believe it to be true. It is wholly false, but most agents even, believe it implicitly. Only the "select and ultimate" few on the inside know that it is inherently, intrinsically and designedly false. There isn't a single truth hidden away anywhere in this definition.

We will try to make it plain. "Net premium basis" is the joker. It is the law, **but no law tells what it is.** When a man aged 31 (the average age at which people insure) takes out a straight life, level premium policy (the simplest kind and the one on which all premium rates are based) for $1000, the premium is $25.05 per annum. That sum is easy to understand. What follows is another story, a story of mystery, and it takes an insurance Sherlock Holmes to solve the mystery.

Immediately, that $25.05 becomes the property of the company, which immediately divides it into two parts: the "net premium", $18.79, plus "expense loading", $6.26, equals $25.05. The law **requires** this "net premium" to be set aside to meet death claims that have to be paid whenever the policyholders die—today, or 50 years from now.

The "net premium" is a fixed amount for each

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age. The premium may change, but "net premium" does not. At 31 years of age it is $18.79; at 32, $19.32 &c. The "expense loading" is the difference between the "net premium" and the gross premium and increases as the premium is increased, and the company can increase the premiums at will. **No law ever protected the policyholder by limiting premiums.**

"Expense loading" is spent at once; most of "net premium" is stowed away in "legal reserve" into which and "surplus" are also **concealed over 600 millions in profits arising from forfeitures in 1914.**

Expenses are, so to speak, petty larceny—only $1775 for each $1000 of net death losses. The manipulation of reserves is grand larceny. The one buys yachts, the other pays the crew.

You may properly say that the "net premium" is fixed by the mystery in the law, and when once set aside it goes into "reserve" to pay death claims. With honest accountings and honest manipulations, all excess over what is **actually** needed would be returned in "dividends"; but no, when a man dies and a large sum ought to be credited to his policy, the company takes it "to pay future death claims" and the difference between the $1000 and the "terminal reserve" is the "net death loss" to the company. It averages about $520. i. e. the "net death loss" is only about ½ of the gross. Under an honest accounting, it would average thousands and should go to the insured by being added to the face of the policy. (See Exhibits II and III.)

The "net premium" is the burglar's jimmy

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through which the company gets at the victims' money; the "terminal reserve" is the master key that locks it up safely so that the policyholder never gets it back.

The method of computation of "net premium" is the great insurance secret. We doubt if any legislator or any judge ever solved the problem or guessed the secret. We will try it, although the whole thing is tomfoolery, based on dissimulation, with results necessarily folderol.

Inasmuch as their premises are **all** wrong, their reasoning, even if correct, would lead to erroneous conclusions. The **results** SHOW that they are all wrong, and from the very first the Finance Committees have **known** they were wrong. As early as 1877, Charlton T. Lewis, the greatest actuarial expert that ever lived—greatest because he was honest—wrote in the International Review that **they had up to that time robbed the policyholders out 45% of their existing assets, and yet the companies were then on a 4½% basis, their expenses only 1-3 of present expenses, the forfeitures only a fraction of what they are** now, and the premiums 1-3 less. In 1877, the companies were already "wise" to the possibilities of the insurance game, and were fast developing the present "system".

What are these false premises that lead to such collosal errors?

Computations of these fixed values called "net premiums" which create stupendous "legal reserves" are based upon the following erroneous assumptions—indeed there isn't a correct assumption that enters into the computation. **Every one of them is wrong.** There isn't even **one** grain of wheat in this bushel of chaff.

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1. It assumes that every policy will remain in force until it becomes a claim in full by death or maturity.

It ignores lapses (total forfeitures) and surrendered and paid up policies (partial forfeitures). In fact, only 16%—not 100%—of policies become claims in full. The profits from this source are enormous. $569,930,573 for 1914, of which the law takes no cognizance—and the whole is concealed by the official reports. (See Exhibit V).

It ignores the fact that the average **life of a policy** is not the "expectancy of life" predicted by mortality tables, an average of about 32 years with insured lives, but that, as a matter of fact, the period of premium paying averages only 12 years. Every actuary will admit this. For young companies it is about seven years only. It is never over twelve.

2. It assumes that the over-payments in premiums at younger ages, professedly to provide for under payments at older ages, will earn 3½% (or 3%) only.

As a matter of fact, the actual **interest** earnings are from 4.77% to more than 6%, while the actual "profits" of the companies from interest, forfeitures, &c. are from 17% to 25% per annum on the "legal reserve". (Exhibit V and VI.) No company **ever** earned in interest alone as low as 4½%.

3. It assumes that this fund, the "legal reserve", must provide each year for the number of deaths predicted for each year by the American Experience Table of Mortality as a **minimum** table.

For instance, according to the Table of Mortality compiled by the Modern Woodmen of Amer-

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ica, which is "straight goods"—compiled from millions of **actual insured risks,** there will be 3.56 deaths in each 1000 risks, all aged 31. The so-called "experience" table, which was compiled in 1868 from guesses, predicts 8.51 (240% of the Woodmen or actual loss) i. e., this "legal" table predicts from two to three deaths where only one occurs, for the years covered by 99% of all insurances, aged 18 to 46 inclusive, but the "net premium" provides for these supposititious deaths; and, as far as the policyholder is concerned, they might as well die, for he has to pay for them just the same as though the undertakers had actually got the jobs. (See Exhibit I.)

The result of all this "mathematical necessity" applied by crooked reasoning to false premises is that these companies are required by law to keep on hand to insure "legal solvency" a fund, called a "legal reserve", created by taking from each premium each year a fixed sum, ($18.79 at age 31) that is from four to five times larger than the true sum which by **actual experience** is found to be "sufficient to enable the company to pay the policy in full at maturity."

It is fact versus alleged "mathematical necessity." Figures can't lie, but liars can figure.

Result: enormous "legal reserves", manipulated by Finance Committees, who buy more yachts.

Who would want Admiral Drake's license to plunder on the High Seas?

But we haven't told you yet the secret of computing "net premium". It may allow the reader to sleep easier if we tell him that the algebraic

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expression for the "net premium" of an "annual premium for whole life insurance" is

$$P_x = \frac{vd_x + v^2d_{x+1} + v^3d_{x+2} + v^4d_{x+3} + \&c.}{l_x + vl_{x+1} + v^2l_{x+2} + v^4l_{x+3} + \&c.}$$

(See notes on Life Insurance by Edward B. Fackler, p. 55). Simple, isn't it. Ask any legislator to explain it.

What nonsense! And made mysterious simply to fool the people. Inasmuch as every premise in the argument is wrong, the conclusion is bound to be wrong, and why bother with such foolishness.

But this is the way they do it: they take a man aged, say, 50; they find by the rules of discount the present value of $1 at 3% interest, due in one year, in two years, and so on, for 46 years, when he shall be aged 96 and is killed off by the table; they don't let him lapse or die young; they keep him alive and keep him paying till he is of a ripe old age; they add up these "present values" of each year and find that it will take $555.21 paid in a lump sum at 50 to amount to $1000 at 96 years of age. (Fackler, p. 24). That is simple discount and addition. Then they find the present value of $1 paid annually by **everybody STILL ALIVE according to the Table,** until the last man is dead. It is $15.27 (p. 27). Divide $555.21 by $15.27 and you get $36.36, the annual "net premium" for a man of 50. It may not be quite so easy to understand this, but there you are! We have kept our promise.

In determining this divisor of $15.27, they have assumed that the policyholders die off as the guessed-at Experience Table says they ought to,

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and in determining "terminal reserves", which show charges against each policy, they make the policyholder pay for the epidemics guessed-at by the guessed-at Table, but which in fact never supply more than 1-3 of the necessary widows to claim the money.

The "legal reserve" is computed from the American Experience Table at, say, 3% interest, for any year by taking the number that the Table has allowed to be alive at the man's age; then taking the number that the Table has killed off that year; then multiplying the number living by the "net premium" to get at "net premium income"; that is the "initial reserve"; adding a year's interest at 3%; deducting the death claims, being the number supposed to be dead, multiplied by $1000; this gives you the "Balance Terminal Reserve". Add all these together and you get the "legal reserve". Simple, isn't it?

But **that** makes a company solvent.

What mathematical perfume wasted on the desert air of common sense! The scientist reasoned it out by infallible science that no brook trout could weigh over two pounds, but he caught one weighing five. Stock companies make stock dividends on gross premiums that are less than "mutual" companies' "net premiums". If they only charged as much as the Mutuals, they needn't be satisfied with yachts—they could buy up the British Navy.

To repeat: The law requires every policy obligation to be valued on the "net premium basis". "Net premium" and "legal reserve" are computed on the three assumptions that (1) there will die each year the number of policyholders pre-

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dicted by the American Experience Table of Mortality or some Table showing **higher** rates of mortality; that (2) every policy will become a claim for its full amount, and that (3) the earnings of the companies will be 3%.

The facts are that (1) Divine Providence is not one-half so fatal as the American Experience Table of Mortality during insuring ages; that (2) hard times decree that only 11% of the policyholders are financially healthy enough to keep paying till death—they pay 10 years not 32—and that (3) the profits or earnings of the companies are 24% not 3%.

Is the law an ass?

No, it is a fox.

Elizabeth's courtiers were mere kindergartners. Their licenses to steal were childish innocence. They stole millions through monopolies that the people got to understand; their modern prototypes steal billions through monopolies created by trick laws that nobody can understand.

All you have to do is to enact into law some phrase that no dictionary defines, and let the Superintendent of Insurance do the rest.

We will consider more fully the above mentioned erroneous assumptions that have entered into the computations of "net premiums" during the whole period of American Life Insurance (1843-1916).

1. LAPSES: THE LIFE OF A POLICY.

"Net premium" is computed on the theory that EVERY policy issued will become a claim and will be paid in full.

The "expectancy of life" of a young man of 18

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is 50.3 years; at 25, 44.5 years; at 30, 40.3 years; at 45, 27.6 years, &c. The average "expectancy" of insured lives is about 32 years, but owing to lapses and surrenders, the average period of premium-paying is only for seven in the younger to twelve years in the oldest companies.

FORFEITURES are a most important factor in life insurance, but "net premium" knows nothing about forfeitures; never heard of them.

In Old Line companies, all defaults during the first three years are, generally speaking, lapses, i. e., complete forfeitures; after three years, the policyholder gets some trifle as a "surrender value" or in "paid up" or "extended" insurance. The "profits" from these three sources are enormout, **but never appear as profits in the annual report**; neither does the policyholder get any benefit from these forfeitures: it all goes into "legal reserve".

Few would suspect that only about 11% of all policies issued become death claims

Over 55% of all policies lapse and the holders get **nothing**.

29% additional of all policies are surrendered, when the holders get but a **trifle.**

Many take "paid up" policies in **trifling amounts.**

The "profits" from these sources are **stupendous**, say, seven times net death losses. (See Exhibit V, columns 28 and 30.)

BUT NO ANNUAL REPORT EVER SHOWS THEM.

What frauds these mortals be.

We quote from page 40 of the Modern Woodmen's report, 1913:

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"By referring to this table, it will be found "that during the entire history of this Society, it "has lost through the avenue of lapsation 1,002,- "264 exposures, "or an average **annual lapse rate** "for all ages of 74.52 per each 1000 exposures. "(Deaths only average 5.57 annually).

"When compared with the lapse rate of other "societies, the experience of this Society has been "extremely favorable, **and yet about 50 per cent "of all the Benefit certificates issued have been "discontinued through lapsation.**

"Passing to the second section of this table, it "will be observed that 535,247 (over 50%) of the "entire lapses of the Society occurred within the "first three membership years, and of this 535,- "247 occurring during the first three membership "years, all except 329 occurred before reaching "age 50. This demonstrates, first, that the great "percentage of the lapses occurs during the first "three membership years, and second, that prac- "tically all occur at the younger ages."

From the above it will be seen that 74.52 out of each 1000 of exposures lapse annually (only 5.57 die) and one-half of all policies are allowed to lapse, and most of these lapses occur during the first three years when the death losses are least and the profits of insurance greatest.

A default during the first three years is, according to law, a total forfeiture. **The profits from lapses alone would more than doubly pay all legitimate expenses.** (See Exhibit VI.)

In the Modern Woodmen of America there were, in 1913, 49,356 lapses to 7,368 deaths, almost 7 to 1. In all the Old Line companies (New York Report, 1915, page ix) there were in 1914 255,702

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lapses and 174,017 surrenders to 72,011 deaths: 3⅛ lapses to each death and almost 6 lapses and surrenders to one death.

We take the following from page ix of the 1915 New York Insurance Report, referring to all Old Line companies for the year 1914:

"The Terminated policies are scheduled as follows:

	Number	Amount
"Deaths	72,011	$ 164,816,821
"Maturity (Endowment)	30,071	57,393,737
"Expiry (Term insurance)	81,501	128,575,779
"Surrender (28% of total)	174,017	362,744,884
"Lapse (41½% of total)	225,702	427,675,869
"Decrease	1,235	57,168,519
	615,537	$1,198,377,609."

i. e. surrenders and lapses 70%.
3.55 lapses to 1 death.
2.4 surrenders to 1 death.
6 surrenders and lapses to 1 death.

These reserves are gigantic and have the natural growth of giants. They must, therefore, be fed on the food of giants in the form of

INTEREST REQUIRED TO MAINTAIN RESERVE.

"Net premium" is so much too large that it not

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only provides for all death claims, pays the death losses and monumental expenses each year, and provides, on the average, about 246% of each policyholder's own death loss after he has paid for everybody's else; but it piles up enormous reserves and surpluses that are a financial and moral menace to the nation. Nevertheless it has to be still further increased each year by "interest required to maintain reserve" which keeps heaping up the "reserve" still higher.

Think of this: **This "interest required to maintain reserve" already exceeds the "net death losses" each year in all of the important companies according to their own official reports, and in a short time will be ten times as great.**

The reserve itself is designed to pay death losses AND YET the interest added to it each year to keep it large enough for legal solvency is more than enough to pay the losses theoretically to be paid out of the reserve itself, and which reserve earns interest each year more than enough to pay twice the net death losses.

If anyone can think of any other scheme for increasing "legal reserve" let him step up to the President's office and get his reward.

In 1914 it took $129,170,185 (N. Y. Report p. XLVIII) for "interest required to maintain reserve" in the companies doing business in the State of New York. In 50 years this sum paid annually, with interest at 6%, will amount to about 40 billions. According to present rates of increase these figures will amount in 50 years to more than 100 millions, or seven times the total amount of present outstanding risks.

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Look at page 716 of the N. Y. Report for 1915, where the "interest required to maintain the reserve" of the Provident Life is placed at $2,571,-244; the gross death losses are $2,353,690; while the net death losses were only $1,326,553, a trifle more than one-half of the "interest required to maintain reserve".

Some laws!

2. INTEREST 3% PROFITS 24%

It is said that 95 out of every 100 business men fail at some time during their lives. Almost every one at some time gets into financial straits; the payment of premiums becomes a serious burden or an impossibility; besides, a little ready cash may be so great a boon that any sacrifice is justified. This leads to getting rid of the payment of premiums by lapsation, or by accepting a "paid-up policy", or by getting a little ready money by **surrendering** the policy. These periods of financial depression that creep into almost every man's life, account for the fact that such a trifling proportion of policies taken out are carried till death or till the end of their endowment period. (16%). Forfeiture by lapsation is robbery. "Paid-up Policies" and "Cash Surrender Values" allowed by the companies are swindles on the policyholders and enormously profitable to the companies. "Mutual" insurance companies are worse than pawnbrokers.

The lowest percentage of death losses occur during the first five years, i. e. immediately following the medical examination.

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This is stricken out because it is only one of many methods employed to defraud policyholders by false longivity.

Generally speaking, on a lapsation during the first three years of the policy, the policyholder gets nothing, or an amount so trifling as to be almost negligible, and yet this is the period of lowest death rate and cheapest insurance cost. Hardly any die so soon after a medical examination. So many lapses occur during this period (55%) and the death risk is so slight, that the stock companies can well afford to give the first year insurance for nothing (either to the annoying agent or to the insured himself.)

There is no more reason why the first dollar paid into an insurance company should be forfeited than why the last dollar should be. Do savings banks forfeit all payments made the first three years, if the depositor gets hard up and can't save any longer?

In Exhibit V we have collated from the New York State Insurance Report of 1915, the following, see Col. 31. The reserve you can see with your own eyes in the Annual Reports; the real "profits" you have to unearth with the eyes of an expert. These profits consist not only of interest, but forfeitures, mortality gains &c.

	Reserve	Profits*	Percentage
Equitable	$438,414,000	$ 85,371,997	20%
Mutual	494,438,000	102,588,788	21%
New York	651,870,000	118,338,000	18%
Aetna	91,065,000	27,769,000	24%
Mutual Benefit	160,365,000	31,841,000	19%

*Grossly underestimated.

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Northwestern	297,814,000	60,915,000	20%
Provident	74,661,000	16,878,000	22½%

The average **interest** earnings of the 28 principal companies according to the "Insurance Year Book" were as follows:

1891-1895	5.05%
1896-1900	4.82%
1901-1905	4.66%
1906-1910	4.79%

Average for 20 years, 4.79% on their total invested assets.

The Union Central had an average during the 20 years of 6.54%. **All** earned over 4½% **all the time.** Why, then, estimate values at 3%, especially when actual "profits" average **24%.**

Take the New York Life, for instance (year, 1914, New York Insurance Report of 1915, p. 179).

Admitted assets (p. 191-2)	$814,872,836.40
"Legal reserve" (p. 183)	651,889,465.00
The difference (surplus) of	$162,983,371.40

nominally bears no interest—not even 3%; and as far as crediting the policies is concerned, it might as well be sunk in the bottom of the sea. Think of the law that, in its absurdity, in effect declares that $162,983,371.40 can bear no interest, i. e. that certain funds will earn money and certain funds will not.

Specific profits (p. 187-9): $49,301,362.07. This is 7½% interest on the "legal reserve" or 6% on "admitted assets".

The real profits are shown in Exhibit V, Col.

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31, at $118,338,007 or 18%, one of the smallest percentages of any company.

These enormous profits have to be picked out of the reports by an expert. They represent interest, forfeitures, &c.

Who would want a license to steal?

Do not actuaries earn their enormous salaries?

Who would not take care bountifully of "reform" committees, their attorneys and actuaries, who "put over" such ingenious "reform" laws, with unintelligible phrases, that permit "hard-hearted" Superintendents of Insurance to interpret them so as best to further the larceny by requiring them to fill in blank annual reports that not only aid, but **require** the companies to falsify?

3. TABLES OF MORTALITY.

The law requires that "net premium" shall provide for all the deaths each year predicted by the American Experience Table of Mortality as a **minimum** standard.

Tables of Mortality are numerous. They tell you, according to the doctrine of chances, how many policyholders out of 100,000, all of the same age, will die during the next year, and the "expectancy of life" at each age.

One Table—The Modern Woodmen's fraternal —after years of experience with millions of real risks, is so exact that chance is practically eliminated. Out of 1,000 insured risks 22 years of age, it is known that 3.48 will die the first year; 3.56 the second year, and so on. Variations one year are corrected the next, so that the expectancy as to death losses is substantially exact. The statis-

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tics of deaths of actual policyholders have been so carefully and consciencíously kept for so many years and cover so many million risks that they are mathematically exact to within less than 2% on the side of safety.

Every Table of Mortality in existence used by Old Line companies predicts more deaths than actually occur. They are enough too large to provide for any pestilence that has occurred since the Black Death of 1348-51, which we now know arose from unsanitary and immoral conditions that will not occur again. Wars of extermination, such as is now raging in Europe, do not effect life insurance. War risks are excluded. No one considers for one moment the possibility of filth pestilences that have not existed for centuries.

Tables of Mortality do not **pretend** to predict any deaths except such as are to be expected from present day conditions. Why then do they vary? The answer is simple. Yachts.

The "legalized" American Experience Table, the first of the series, was concocted in the Mutual Life office in 1868, when the period of guessing was still on and when data covered but few risks, and were unskillfully kept. It is called an "experience" table because it is **not** based on experience. Nobody has ever claimed that it was anywhere near correct, or based on any substantial collected data. It grew out of that excessive caution which fixed premiums at more than three times the rate that is now known to be sufficient. It is the most unscientific of all the Tables in its origin; nobody pretends that it is more than a rough guess based upon trifling and unskillful experience. AND YET it is the principal Table

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recognized by our Old Line laws in determining "legal solvency" and it requires a "legal reserve" **sufficiently large to provide for more than two deaths when only one occurs, and in determining "net death losses"** they charge each year against each policy the death losses that "ought" to have occurred, not what **did** occur. (See Exhibit I.)

This legalized "Experience" Table is, in fact, ludicrous. It does not relate to insured lives at all, i. e. lives that have passed a medical examination and have taken out policies. It begins with 100,000 supposititious children aged 10, and kills them all off at the age of 96. These were not 100,000 real kids, but dream kids. A certain number are slaughtered each year. They must have been exceedingly healthy youngsters, for few die young, or else an epidemic struck them in middle life—20 to 46 when grown-ups get insured—for during the insuring years they die off fast enough to make the undertakers rich. Why should the legislature legalize a Table that does not even pretend to relate to insured lives and relates only in part to insuring ages? A Table that takes its risks from Alice in Wonderland is "some" table.

The companies did not make their campaign contributions or buy up Investigating Committees in vain.

Tables of Mortality are one element in the legerdemain laws that filch billions from widows and orphans—who will never get it back—and pile it up for Finance Committees to play with.

Each company, Fraternal or Old Line, usually does, and always should, have its own compilation to check up the Mortality Experience used. Of

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course, there will be certain variations on account of climate and environment; and ideal insurance would confine the operation of each company to the State of its incorporation. In that way the insured of each State would pay for its own sanitary and climatic conditions, and the honesty and efficiency, or **vice versa** of its own Insurance Department.

The Modern Woodmen of America is the largest Fraternal Society in the United States, and its Table of Mortality is constructed from the careful and skillful observation of "exposures"—risks for one year—during 37 years. In an elaborate table found in Vol. II of their report for 1913, are found statements of exposures **at each age** of the members during the period, 1883-1910 (p. 15, 16) which aggregate as follows:

Total exposures	4,825,094
Actual deaths	31,835

Expected deaths based on these tables, 32,032 or less than 1% greater than the actual.

We take the following from §17 of the same report:

"During the Society's history, 1883-1913, in-
"clusive, we had 13,449,103 exposures, and it will
"be noted from the table that out of this 13,449,-
"103 exposures the Society experienced, 74,859
"deaths during its entire history up to December
"31, 1913, or an average death rate,, at all ages,
"of **5.57** per 1,000 exposures per annum; (or $5.57
"per $1000 policy, actual insurance cost, the aver-
"age AT ALL AGES) whereas, if our mortality
"had exactly equaled that "exposed under the
"Modern Woodmen mortality table, the Society

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"would have experienced during these 31 years, "a total of 76,276 deaths, or an average death "rate of 5.67 per 1,000 exposures. Upon the other "hand, had our experience been in accordance "with * * * the American Experience table of "mortality, it would have experienced, on this "exposure, "143,141 deaths, or an average death "rate for all ages of 10.64 per thousand exposures." (See Exhibit I.)

The Equitable of Iowa states in its periodical for January, 1916:

"During 1915, the Company experienced a very "light mortality, the net loss being only **33%** of "that expected according to the tables used in the "computation of premiums. * * * The average "for the past ten years is less than **44%** of that "expected according to the mortuary tables. * * *

(i. e., the "legalized" Tables of Mortality predict two or three deaths where only one occurs, and an enormous "legal reserve" has to be kept on hand for the company to be legally solvent, to provide against these fictitious deaths that never provide actual widows who own, but never get, a slice of this reserve created out of their premiums each year.)

"During the year, 1915, the Equitable of Iowa "earned 5.83% on its mean admitted assets, which "gives a good margin over the rate necessary to "maintain the reserves."

From the above it will be seen that the American "Experience" Table of Mortality predicts from two to three deaths where only one occurs (for the Woodmen's Fraternal death rate is slightly greater than the average Old Line rate) and yet the law requires the policyholders to pro-

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vide a surplus to cover 2.2 deaths to one actual coffin because in 1868 the Mutual Life Company guessed wrong. See Exhibit I.

Every Old Line Mortality Table, fabricated and published since the guessed-at "Experience" Table, has been more mendacious than its predecessor; and the Insurance Department will stand for anything. The "experience" of the American Table was guesses; of the other Old Line Tables, was mendacity.

There is no accident about this. It is a part of a deliberate scheme to conceal robber premiums and, after squandering everything they can in expense, to pile up the remainder in "legal reserve" to enable Finance Committees to buy more yachts.

To be sure the reckless management of certain companies, like the New York Equitable that scours the tropics for business and might even corral sanitoriums for victims, has caused its death rates to be scandalous, but **they base their "net premiums" on higher tables** than the American Experience(?) Table!

Old Line Tables of Mortality ARE FRAUDS. The companies know it. The State Superintendents of Insurance know it. The legislators do not know it; they don't know **anything** about insurance. They do what they are told.

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PART XII.

NET VALUATION.

All old-line life companies are compelled by existing laws to value their policies upon what is termed a *net valuation,* upon purely arbitrary assumptions. By a net valuation every computation is made with a margin against the policyholder by requiring the company to comply with these arbitrary assumptions.

Net valuation assumes that every policy will remain in force to become a claim. Experience proves that only 16% become claims. The difference forms an important surplus; *net valuation assumes this source not to exist.*

Net valuation assumes that the "net premiums" fixed by law will be consumed in its entirety in meeting claims at maturity, regardless of the fact that such "net premiums" are more than 300% in excess of the cost of carrying each and every policy to death; *net valuation assumes this source of surplus not to exist.*

Net valuation assumes there will be no forfeitures; yet 54½% of all policies terminate by forfeiture, creating a greater surplus than all other items combined; *net valuation wholly ignores this source of surplus.*

Net valuation disregards the *mortality margin.* The mortality tables in use are not based upon the actual loss experienced under insured lives. *Selected lives do not die at approximately the table rates,*—actual experience shows the loss to be only about 40% thereof. The difference forms an important source of surplus; net valuation assumes this source not to exist.

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Net valuation also assumes that *not more than three or three and a half per cent. interest will be realized on the reserve,* and ignores the companies' assets in excess of the reserve and the fact that every life insurance company in the United States realizes more than four and three quarter per cent. on its gross assets, and consequently, a great deal more than five per cent. on its legal reserve. Yet the lowest legal rate of interest allowed on debts and judgments in any part of the United States is six per cent. showing that the common sense of the people regard money as being worth that amount. The assumption, therefore, that the reserve of a life insurance company can not possibly accumulate more rapidly than at three or three and a half per cent. is grossly untrue as a basis for forcing a bankruptcy. If a company have liabilities of $1,000,000 payable 30 years hence, and $174,110.00 on hand to accumulate at six per cent. interest, it can meet its liabilities in full at maturity, but by a three per cent. net valuation it would require $412.000 to effect the same result, and with any less than this latter sum it would, under the preposterous provisions of existing laws, be legally bankrupt.

In these respects, as well as in others, the system of net valuation contradicts or impairs the theory of the business. The present theory of net valuation has provided for contingencies in every direction, by setting up great margins. In theory these margins therefore are the insurance of one another, and the safety of the business lies in the extreme improbability that more than one of them, above all, every one of them, should fail. **Net valuation at one stroke sweeps them all away.**

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ONLY 11% OF ALL INSURANCE REMAINS IN FORCE UNTIL DEATH. 55% FORFEITS ALL.

By referring to page IX New York Insurance Report 1915 covering the business of 1914, it is shown that the policies terminated from all causes were 615,537.

Deaths	72,011	= 11%
Maturity (endowments)	30,071	= 5%
Surrender	174,017	= 29%
Expiry	81,501	
Lapse	255,707	
Decrease	1,235	
	615,537	= 55%

The business for the three years ending Dec. 31st, 1915, shows the results to policyholders as follows:

By Death and Maturity	298,766	= 16.3%
" Surrender	533,214	= 29.2%
" Forfeiture, losing everything	996,137	= 54.5%
Totals	1,828,137	100 %

ENDOWMENTS ARE NO LOSS TO THE COMPANIES, because each endowment policy has 100% accumulations standing to its credit *after* the policyholder has paid pro rata for the death losses of all who had died during the endowment period, i. e. each endowment policyholder accumulates and pays for his own endowment during his endowment period. This is according to Old Line bookkeeping, but according to "Honest Accounting" (Exhibit IV) he would, in addition, have left with the company, 32% of the face of his endowment policy as "profit."

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Therefore, the companies had no losses from any terminated policy for the other members of these "mutual companies" to pay except the 72,011 deaths as above quoted from the New York Report. This is only 11% of all policies terminated in 1914.

BUT, while the company had to pay in full for the death losses of that 11%, they did not have to pay the full amounts of the policies, because those policies (repsented by that 11%) had through a long series of years of premium paying accumulated, and the companies set aside a reserve fund for the payment of death losses of 1914, exclusive of deaths of

Annuitants,	$273,405,023
Reserve set aside for the payment of death losses of Annuitants, say	12,000,000
Interest required to maintain reserve, having first been deducted surrepliciously from the interest earned during the year, thereby making it a part of the death loss reserve for the year,	129,170,185
Actual reserve set aside to meet the death losses of 1914	414,575,208
Gross death losses, after deducting certain falsifications of $12,043,134,	168,227,545
so that the companies had a "profit" from the reserve alone on those 72,011 deaths of	$246,344,663

That is to say: among 615,537 policies terminated in 1914, only 16% were paid in full; only 11% by death, and 5% by termination of the endowment period. All endowment payments had already been accumulated and paid for by the policyholders themselves (and 32% additional) *and the 11% had accumulated and themselves paid 246% of their own gross death losses.*

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In other words, the calculations of "net premium" assumes that 100% of all policies will be paid in full at death or maturity. Only 16% are so paid, and those 16%, instead of being a loss to be charged to the company (living members) are a "profit" of from 32% to 246%. BUT that "profit" does the living members no good, because these so called "profits" (assessments) are spent in the wildest extravagance, concealed by fictitious liabilities exceeding one billion of dollars, or piled up in "legal reserve"—which the policyholders never get and are never permitted by the courts even to find out about—which are juggled by Finance Committees in order to buy more yachts.

According to the compaies statements, they had a net loss on those 72,011 deaths of $125,352,705. According to fact they made a "profit" of $246,634,663 from the legal reserve alone. Adding these, we have "false pretenses" of $371,697,368, and this is but a trifle of the actual falsifications and the actual loss to the widows and orphans of 1914.

If we should go into and reveal all the juggling by the companies' actuaries, our volumes would exceed all the "best sellers."

29% of all policies terminated in 1914 were "surrendered" Exhibit VI shows that the net loss to these victims of temporary embarrassment was not less than $145,097,953. In addition, $16,000,000 of legal reserve was taken over by the companies as additional "profits."

55% of all policies terminated in 1914 (338,443) were total forfeitures ($613,420,167 in face value).

As we continue to study page ix of the New York Insurance Report, 1915, we continue to stare in bewildered wonder at the gigantic figures representing the "profits" of these companies which pretend to be beneficent institutions, but which constitute the ONE gigantic swindle of the 19th and 20th centuries.

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EXPENSE LOADING FIXED BY LAW.

vs.

EXPENSE CHARGES FIXED BY FRAUD.

In order to illustrate the gigantic swindle involved in "expense loading," we will use the official figures of the New York Life for 1914 as set forth in the New York Insurance Report, 1915.

"Loading" with which the company took credit, page 187, $19,554,335.

From this there must be deducted every item on which there is no pretense of any cash having ever been paid or received, entitling it to such expense loading. In other words every item of expense loading derived from a padded premium income by which the "gross premiums of the year" were falsified, must first be deducted in order to obtain the actual loading fixed by law. That is to say, any expense allowance with which the company took credit, but which invaded the "net premium," must first be deducted in order to determine the actual expense loading fixed by law.

In order words it is a physical impossibility for actual cash to be withdrawn for expenses, *against a mere credit of whatsoever nature,* without an invasion of the "net premium" to the extent thereof.

"Net premiums" cannot be invaded by whatsoever means unless the policyholders must furnish an equal sum in order to make good the deficit.

In order to demonstrate the difference between *expense loading fixed by law* and expense charges *fixed through actuarial chicanery,* we quote the following facts and figures which should make it clear to every one having the ordinary mathematical mind.

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Expense loading as shown by New York Insurance Report page 187		$19,554,335
Money obtained for expenses by falsely including in "gross premium of the year" "*uncollected premiums*" thousands of which policies will lapse before such premiums will be paid, thereby padding the gross premiums $12,441,982 (pp. 182 & 187) thus unlawfully obtaining expense money and thereby invading "net premiums"	$3,110.496	
Dividend credits representing a disbursement, falsely included as a part of the "gross premiums of the year" (p. 179)	6,918,371	
Surrender values falsely included as a part of the gross premium of the year, regardless of the fact that they were premium income, say 10, 15, 20, or more years, prior to 1914, (p. 179)	126,300	
Supplementary contracts consisting of nothing more or less than substituting new policies for old ones falsely		

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included in the "gross premiums of the year," regardless of the fact that they were premiums say 10, 15, 20 or more years, prior to 1914, (p. 179)..	103,650 = $10,258,518

Every penny of the last three items was converted into expense charges, thus invading the "net premiums" and requiring the policyholders of 1914 to make good the deficit in an equal amount.

Maximum expense loading authorized by law.. (which in fact is five times as much as any sane laws would authorize these institutions of beneficence to expend).	$9,295,518

In addition to this loading of $9,295,518, section 97 of the law stipulates that certain additional moneys can be used for expenses, by which "net premiums" are invaded to the extent of the money so withdrawn, regardless of the fact that section 84 declares to the contrary.

Acting under their own interpretation of section 97, the company during 1914 (any statement by the company to the contrary, notwithstanding), invaded its "net premiums" for expenses by the following items:

Select and Ultimate Method by which the company obtained under the so called "Mortality gains" by the robbery of its death loss fund a sum greater than

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the gross death loss that will be incurred during the the ensuing 7 years on the indentical policies involved	$ 2,658,657
Investmsnt expense, page 190 (fraud)	1,442,701
Therefore the invasion of "net premiums" for expense alone through law, trick and device combined were obtained as above set forth as follows:	
By "Uncollected premiums"	$ 3,110,496
" Dividend credits	6,918,371
" Surrender Values	126,300
" Supplementary Contracts	103,650
" Select and Ultimate method	2,658,657
" Investment expenses	1,442,701
Total invasion of net premiums for expenses alone	$14,443,175
To which add *reserves unlawfully created* on quarterly and semi-annual policies, thousands of which will terminate before such reserve will be required, by which means "net premiums" were invaded, (see page) 182 $9,331,877, thereby requiring the policyholders of 1914 to make good such deficit	$9,331,877
Interest required to maintain reserve on the above	279,956
To which add "Full premiums" sec. 97, $237,362 less loading, $65,299 being 34.89% a palpable fraud	$207,053
New money required by the policy holders of 1914 to make the deficit good $24,045,008	24,045,008
To which add "loading" with which company took credit	19,554,335

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Total unalterable expense to the policyholders of 1914	$43,806,396
Loading fixed by law	9,295,518
Loss to the policyholders of 1914, in excess of loading	$34,510,878

Instead of "insurance expenses" as shown on page 190, N. Y. Ins. Report as well as in all home office reports $13,314,518.61.

To advertise the latter, such as is done, is a crime.

Now kindly bear in mind that the company makes no pretense of having collected one dollar of these expense charges in cash, except that which would honestly entitle it to $9,295,518. Yet the absolute and complete loss to the policyholders of 1914 was $43,806,396, less loading authorized by law $9,295,518= $34,510,878, which represents the net robbery—by reason of the falsification of expense loading, and its attendant results.

A still more startling fact is that such invasion of "net premiums" as above set forth would bankrupt each and every life insurance company in this country, were forfeitures prohibited by law, and such forfeitures determined by individual accounting to policyholders such as is set forth in Exhibits II and III.

Just stop and think what this all means: the policyholders at all times pay over 300% on gross death loss cost, exclusive of forfeitures, yet bankruptcy would follow as the result of the padded expense allowance were companies prohibited from covering their crimes by forfeitures, of excess money paid and accumulated during a long series of years of premium paying by both those dying, or those whose policies terminated, from other causes during 1914.

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With forfeitures by the 34 companies exceeding $650,000,000 annually and the possession of assets of from $3,000,000,000 to $3,600,000,000 belonging to all, *but to no one, in fact,* falsifying their accounts at will and then falsifying such falsifications time and again, the policyholder who at all times has been paying for not less than 3½ times the net benefit received, always just breaks even according to "Principles & Practices" figured out years in advance.

The New York Life specifically disclaims making the slightest use of the "Select and Ultimate method," authorized by Sec. 97 of the law. To show the utter fallacy of any such claim, let us have the facts:

By referring to the New York Insurance Report page 190, we find the Total Expenses incurred by the company, 1914......		$14,757,220
From which deduct maximum expense loading authorized by law........		$9,295,518
Balance to be accounted for........		$ 5,461,702
From which deduct:		
Mortality gains, "select & ultimate," page 190........	$2,658,659	
Expenses in excess of the lawful amount......		$2,803,043

This proves beyond cavil that the company not only took every cent allowed them by law but in addition thereto took $2,803,043 outside of the law. Yet if one would believe the false statement of the company, page 187, the company made an absolute saving in their expense loading of $6,239,816, regardless of the fact that the actual net loss to the policyholders of 1914 by reason of falsified expense charges was **$34,510,878, in excess of the expense loading.**

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Now kindly bear in mind that **forfeitures,** from whatsoever source, regardless of how carefully they may have been concealed were just as fatal to the policyholders of 1914 as commissions to agents or officers salaries.

Therefore *the minimum net cost to the policyholders of* 1914 (in contra distinction to all other policyholders) in the New York Life in order to pay not to exceed $24,529,243 in *gross death losses,* which is found to have been the true loss when all falsifications were eliminated was as follows:

Forfeitures of death loss reserves, specifically set aside to meet the gross death losses of 1914, in excess of the reserves terminated on account of death losses for 1914 as shown by Exhibit V, Part V, Column 34	$40,103,653
Forfeitures from all other causes than death in 1914 as set forth in itemized form in Exhibit VI and also shown in Exhibit V, Part IV, Column 30	37,262,658
Expense loading, invasion of the "net premiums", etc. etc. as above set forth...	43,510,878
And we find the total unalterable cost to the policyholders of 1914 to be	$120,877,189

All by reason of a false and fraudulent system of acounting in which all companies share and which all State Departments of Insurance dishonestly foster.

WHO WOULD WANT A LICENSE TO STEAL.

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PART XIII.

EXPENSES.

We now come to the marvel of marvels. One would think it the simplest thing in the world, at the end of the year, to add up the stubs of check books and find out exactly what the expenses had been. But, no, that is not "scientific" insurance. Shades of Morse, Edison, Bell and Marconi! Shrink into insignificance! You are nothing compared to the genius who invented expense devices and liabilities for insurance companies. Wireless telegraphy is not in the same class with "net premiums", "expense loadings", "select and ultimate methods" and "terminal serves" and "net valuations".

In about 1872, tontine policies were introduced. They were immoral gambling devices, and were suppressed in 1906. For a time, the Mutual Life fought them as immoral, but it soon succumbed. They had the **attraction** of all gambling transactions for the policyholders, and they had the **result** of all gambling transactions for the companies: they were always ahead of the game.

These enormous tontine premiums corrupted life insurance and accustomed the people to large premiums and to the accumulation of large surpluses, giving these companies "The Strength of Gibraltar".

In about 1882, premiums began to increase and dividends to decrease; **for many years going out almost entirely.** Surpluses were piled up, and every possible device was used to get rid of these enormous premiums through any possible expense, or

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any "legal reserve". To give them back in dividends was "unscientific". The laws were continually juggled so as to "require" these reserves, and actions that had every earmark of collusion were brought to obtain decisions of the courts which should prevent any policyholder from ever bringing an insurance company to account, so as to make it give a statement as to the condition of his own policy in his own "mutual" company, and to prevent the courts even from controlling these enormous reserves that were so profitable to Finance Committees, by manipulation.

We must differentiate very emphatically between actual expenses—no matter how extravagant and what criminal waste—and "legal" expenses that are actually charged up against each policy each year, and required to be so charged **by law.** In 1914, the expenses charged by the New York Life were $23,862,746.32, while the net death losses paid were only $12,076,581.91. Just think of it. It costs $2 in expenses to pay over $1 to the widow.

In the ten largest Old Line companies, the actual average expense charges against policyholders was, in 1914, $25.98 per premium-payer; in the Fraternal Societies, the actual average expense charge against each policy was $1.65. What eloquence! There is substantially no cost for collection. If the policyholder doesn't walk up to the captain's office and settle by the 30th day, the lapse begins.

The moneys come into the Fraternal treasuries in driblets, twelve times a year, generally in cash; it comes into the Old Line treasuries in substantial checks, once a year. If the poor wretch wishes to

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pay semi-annually, they mulct him in 4% interest; if quarterly, in 6% interest. As the payment is in advance, the company ought to pay interest. "What fools these mortals be." And this 4% and 6% all goes to expense. "Net premiums" so provide.

The actual labor attendant upon taking care of an Old Line policy is not one quarter of that of a Fraternal policy; the cost is 18½ times greater per policy than the largest and best managed Fraternal Societies.

COMPARISON OF EXPENSES.

"Comparisons are **odorous**", but let us compare:

Savings banks conduct their business at an expense, on the average, of less than $2 per account. It is much more laborious to keep books for an account than a policy. They have practically no surplus. As a rule, the deposits are invested in mortgages or securities designated by law, without expense to the bank or its depositors. There is no "investment expense".

The Banking Department recently threw out an item of expense of $5 for a box of cigars used at a directors' meeting, on the ground that Savings Banks were not organized to furnish cigars for directors who were well able to furnish their own cigars on their salaries of $000 per annum.

Savings banks recently applied to the Legislature for authority to retain a surplus of ½ of 1% to protect them against runs. This was denied, and, in panics, it is the savings banks that weather the storm.

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Savings banks distribute **all** their net profits every six months in interest. Their investments (legal reserve) are the amounts due their depositors; they have assets but no reserves.

INSURANCE COMPANIES HAVE NO RUNS and have no bad debts, and can anticipate to within 1% of their death losses each year, and YET the law requires them to keep a stupendous surplus when they have no actual liabilities, because each year each policyholder pays in, in advance, several times enough to meet his pro rata share of all losses. A "run" on an insurance company would require the poliycholders to be mean enough to all die at once.

A depositor in a savings bank can demand a statement of his account at any time. Our Court of Appeals has decided that a court of equity even cannot require a "mutual" insurance company to account to a policyholder, or to his legal representatives after death, for his share of the surplus, although it is admitted that the surplus (reserve) belongs to the policyholder, not to the "company" as such, not to the Finance Committee; **but the policyholder never gets it.** Our marvelous laws, marvelously interpreted, have placed this sacred reserve and surplus even beyond the reach and control of the law itself.

Each policyholder owns a share of the reserve, but he never gets it, and the law wont let him find out how much it is. He can't get near enough to throw a stone at it. The courts are very kind to Legal Reserve.

The Fraternal Insurance Societies do business at a cost of from 70c to $2 per policy per annum.

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For every $1000 paid in net death losses, the expenses average about $124 as against $1,775 for Old Line companies.

Can you conceive of such criminal waste? A Savings Bank with such management would be put out of business before it got fairly started. The officers of a Fraternal Society with such management would be mobbed.

The Fraternal Societies have no substantial surplus; still in the aggregate they possess, say, $200,000,000; they are legally solvent, under simple laws that even a judge can understand; pay all their losses promptly and without lawsuits; and are operated by a few paid officers with modest salaries.

But there is a ludicrous side. The Prudential, an industrial, with monumental expenses, and a soaring surplus, robbing the very poor like pirates, actually boasts of its surplus, and points to it with pride: "Firm as the Rock of Gibraltar".

Just think of it! Think of a business corporation boasting of its surplus, obtained, not from profits of a successful business, but from assessment on it members.

Who would want a license to steal?

The worst feature of our robber laws is that they treat all Old Line companies alike, no matter what their management. One company selects its risks carefully from the healthful States and country districts, another scours every country, and every clime, with its obtrusive agents, and collects a veritable colony of hectics, but the law treats them all alike, and compels them to keep

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ridiculous reserves, computed by the same ridiculous rules.

One of the best managed companies (for an Old Line Company) is the Equitable of Iowa. Its literature boasts of only one death where the American Experience Table—the law's minimum—kills off three. It boasts of nearly 6% interest earnings instead of 3%. The Equitable of New York is one of the worst, and its eager quest for business and tempting commissions to agents have led it into wildest devices.

A COMPARISON IN MANAGEMENT.

The Iowa company confines its business to the healthiest States of the Union and the healthiest sections of such States. Result: an exceedingly low death rate.

The New York company, through its over-zealous agents, covers the civilized world, from Artic to Tropic. Result: death losses unparalleled in the history of life insurance.

In 1914, the Equitable of Iowa lost by death 34% of the expected, 4.71 out of each 1000 policies in force; the Equitable of New York lost 74.4% of the expected or over twice as much.

To put it another way:

The New York Equitable during the 10 years had death losses amounting to $195,718,060.58

Had its percentage of losses been the same as its Iowa namesake, it would have been 113,505,299.28

a saving of 82,213,761.30

And yet the same laws and Mortality Tables govern all companies, bad and indifferent—there are none "good". Death losses are fixed by

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tables that are fixed by law, not by fact. Interest is fixed by law, not by fact. Expenses are fixed by law, not by fact. Marvelous laws! Our laws, like Queen Elizabeth's patents of monopoly are

Licenses to Steal.

Owing to the recent scandal, the income of the New York Equitable fell from $80,680,282 in 1905, to $78,,542,915 while the Iowa Equitable's income increased from $1,230,916 to $3,713,080. Assuming the same conservatism its interest income alone would suffice to pay every death loss, and every endowment policy at maturity on its present $86,000,000 of insurance in force, without calling upon any policyholder for one dollar of premium in the future. And yet, under the law, it is barely solvent!!! It accumulations for the last ten years alone, say, $11,000,000, would suffice to pay all death losses and endowments **for the next 50 years,** while the corresponding accumulations of the New York Company would only suffice for 5½ years.

Some profits! Who would want a license to steal ?

But we are not through. Notwithstanding the New York Equitable's unprecedented, and wholly reckless and inexcusable death losses, the legal "policy reserve" charged against these policies was so great that, in these deaths, there was a **commercial profit** (think of it!) of $107,544,461.56. If its management had been honest or careful, (i. e. as honest as possible in a dishonest system) its commercial profit would have been $189,758,288.86.

Oh, the wickedness of "legal reserve"! An insurance company making profit out of the death of its members!

Who would want a license to steal ?

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A LICENSE TO STEAL

Having compared a good (comparatively speaking only) Old Line Company with a bad one, let us continue and compare a good Fraternal Society with a good (comparatively speaking only) Old Line company.

The Modern Woodmen of America is the largest Fraternal Society in the United States. The Northwestern is called one of the best Old Line Companies. As they have about the same amount of insurance in force and have about the same annual gross death losses, the comparison is fair.

ANOTHER COMPARISON.

While the Modern Woodmen of America has gross death losses substantially the same as the Northwestern, nevertheless the net death losses of the Northwestern are only about one-half as much. The figures are as follows:

Modern Woodmen, net death losses	$11,566,265
Northwestern, net death losses	5,723,614

All death losses in the Fraternal Societies are net, while the Old Line companies have about one-half of their gross death losses paid from the alleged reserves of the policyholders dying.

Insurance in force,

Modern Woodmen	$1,477,584,500
Northwestern	1,365,299,749

Expenses,

Modern Woodmen	$ 1,437,066
Northwestern	12,192,480

That is, the expenses of the Modern Woodmen are $124 to each $1000 of net death losses paid, but the expenses of the Northwestern are $2,200 for each $1000 of net death losses paid.

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The Woodmen have nearly twice as many members as the Northwestern, but the amount of insurance in force is about the same.

However, the Woodmen's premiums are paid 12 times yearly, and the Northwestern's once or twice; sometimes four times. That is, the Woodmen have six bookkeeping items per policy to the Northwestern's one.

The Northwestern collects 3.37 times as much premium as the Woodmen on $112,000,000 **less** outstanding insurance. This is a pretty fair average. The Old Line premiums are 5½ times too large on the net benefits.

The expenses of the Woodmen in caring for nearly twice as many policyholders should be larger than the Northwestern. The average Woodmen policy is $1600, the average Northwestern, $2600, yet the expenses of the Northwestern are 8½ times as great as the Woodmen, while the annual expense per policy is 17.74 times as great. ($23.04 to $1.55). For every $1000 of net death loss paid, the Northwestern expense was $2200, the Woodmen, $124.

Think it over: 2200 : $124 :: 17.74 : 1.

Each company is commercially solvent, and solvent under their respective laws. Each complies with its law and enjoys the confidence of the community and of the Superintendents of Insurance, yet the Northwestern requires assets of 335 millions for solvency while the Woodmen has 15 millions.

What would you think of two rival tailors who sold the same ready-made suits, but one charged four times as much as the other, and whose expenses per $1000 of business was 17.74 times as

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great? "What fools these mortals be."

Who would want a license to steal?

A MARVELOUS STATEMENT AND A CHALLENGE.

The death losses—net, or gross: same thing—of the Modern Woodmen for 1914 were $11,566,-264.90; its expenses were $1,437,066. or $124. per $1000. net death losses paid.

The corresponding expenses of the Northwestern were $2200 per $1000 of net death losses, 17.7 times as much as the Modern Woodmen.

But this outrageous expense is only a starter. Our "scientific" laws, as interpreted by our "scientific" Superintendent required the Northwestern to set aside $28,954,376, correcting errors the exact amount is $32,236,625 in real money (legal reserve) to meet the losses of those who died in 1914. (See Exhibit V Col. 18). Of this reserve $4,628,554 (Col. 19 and New York Report of 1915 p. 169) was "released" by the 1914 deaths, i.e., became a part of the sum actually paid to the widows, while the remainder $24,325,820, correcting errors the exact amount is $32,236,625 (Col. 20) was forfeited to the company and slid into "legal reserve". This sum so forfeited, equalled $4250. (Col. 37) for each $1000 of death losses incurred by the company. This was clear profit on the deaths of their own "mutual" members. These profits beat a "traffic in souls". This sum was lost to the policyholders just as effectually as expense moneys. Add the two together and we have $6450. of total loss to the policyholders in each $1000 of net death losses paid. To be sure the $4250 went into "legal reserve" but what good

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did that fact do the widow? It only makes the future "profits" still greater.

We make the above statement, as we do every statement of this treatise, an open challenge to the companies themselves, to the Actuarial Society of America and to the various State Insurance Departments, to controvert it if they can. Speak out.

Will any one of them dare to step out into the open and defend the laws and practices that permit such stupendous

LICENSES TO STEAL

During the five years 1911-1915 inclusive the Modern Woodmen had net death losses of $59,960,241 with expenses of $7,823,955; an average of $130.03. But their expenses decreased as their business increased—a very ungentlemanly and unscientific thing for any insurance company to do. During the last three years the average was only $112.59 and for the year 1915 it was $102. The unusual expense of 1914 ($214.) was doubtless owing to the publication of elaborate reports (2 vols.) sent to every member and of inestimable value to the Insurance student.

The Modern Woodmen had no forfeitures, while paying 60 millions of net death losses during five years. The 34 New York companies during the year 1914 paid 89 millions of net death losses (see Exhibit V, Col. 5) at an expense of $158,585,427 (Col. 12) ($1,800. for each $1,000 paid) with forfeitures of $569,930,573 (Cols. 28 and 30), a total cost of $728,516,000, to pay $89,133,106 net death losses, ($8,181 for every $1000 paid).

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THE CRIME OF 1910.

Our Hughes "reform" §97 laws of 1906 (with its Hughes amendment of 1910) is a marvel of marvels. Here is a part of it:

"§97. No domestic life insurance corporation "shall, in any calendar year, after the year 1906, "expend or become liable for * * * a total amount "exceeding in the aggregate (a) the **loadings** up"on the premiums **for the first** year of insurance "received in said calendar year (calculated on the "basis of the American experience table of mor"tality with interest at the rate of 3½% per "annum); and (b) the present values of the "ASSUMED **mortality gains** for first five years of "insurance on policies in force at the end of said "calendar year on which the first premium, or "**installment thereof**, has been received during "said calendar year, as ascertained by the select "and ultimate method of valuation as provided in "section eighty-four of this chapter; and (c) on "policies **issued and terminated** in said calendar "year **the full gross premiums received**, less the "net cost of insurance for the time the insurance "was in force, computed by the American exper"ience select and ultimate table, 3½% per an"num". ("(c)" is the Hughes amendment of 1910.)

Read this quotation ten times; then dream about it over night, and in the morning, when your brain is clear, tell us what it means—**if you can.** Here is how the Insurance Companies, **alias** the Superintendent of Insurance, interpret it:

The expenses must not exceed, in any one calendar year, (a), (b) and (c) above quoted, i. e., (a)

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the "expense loadings", (b) the "select and ultimate mortality gains" and (c) the full premiums of the year on all policies issued and terminated that year. For fear this "scientific" insurance language may not be plain we will explain further.

"SELECT AND ULTIMATE METHOD"

The companies are always hungry for more expense money. A frugal $1775 in expenses to pay $1000 in net death losses is not enough. A large "net premium" is, of course, desirable, because it piles up a "legal reserve" to juggle with, but reserves are getting so large that they may create comment, and "loadings" can be spent **today.** "A bird in the hand is worth two in the bush." Premiums cannot well be increased again before some new "reform investigation". We must, therefore, get more "frugal" expense money and charge it to "net premium" not "expense loading", so that the people wont detect it. This is how we did it. First, by the use of our new, unheard of, and undefined phrase, "select and ultimate method", the "expense loadings" are increased millions of dollars during the first year, based on assumed **less** death losses during the first 5 years than the "legal" minimum Table of Mortality predicts. But that is not enough, and is not wholly artistic, for, after a while, the people may find out what "select and ultimate" means.

We get, therefore, a bran new amendment signed by Governor Hughes ("(c)" in the above quotation) which permits us to take for expenses **all** of the premiums on policies that **begin and termi-**

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nate in a calendar year, (i. e. terminate either by death or lapsation); we already had (Laws of 1906) the extra loadings **for 1914** under "select and ultimate methods" (18 millions). Anything to get more money for expenses! Can you conceive of such brazen sleight-of-hand robbery "under the law" and the Superintendent?

See how it works out:

Remember first, that during the first 5 years (after a medical examination), deaths are very few, but lapses are wholesale—nearly 33 1-3% of all policies during the first three years. Assume that Mr. Boob, aged 31, pays his premium, $25.05, on January 1. He dies the first year, or he gets hard up, or **gets wise**, and never pays again. He is insured for one year, or a part of a year only. Maybe for only a day. How does the company come out?

First, under "(a)" above quoted, the company takes for expenses the ordinary "expense loading" $ 6.26

Second, under "(b)" it absorbs the "select and ultimate" "mortality gains" under §84, 10.24

("Various Derived Tables" by Miles M. Dawson).

Although this Mr. Boob belongs to this "mutual" society for one year only, or less —he may pay for the first quarter only, $6.26—and the company knows it, it immediately sets aside "mortality gains" for **the next five years**, just as though he had actually paid premiums for those extra four years. Those "mortality gains" are an

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admission in the law that ordinary "net premiums" for the first five years are too great because this "legalized" Table of Mortality predicts two widows to one actual funeral during those years.

Third, when a benevolent society like an insurance company get good and hungry, it is not satisfied with ordinary fare; it want a feast, a barbecue of fatted calf; hence, in the last year of their great and good friend, Governor Hughes, not willing to let a "sure thing" go by, they had passed "(c)" above quoted. Under this benevolence the companies gobble up the "**full gross premium**" for the year $25.05

But this even is not enough. They also charge up to expense the dead or lapsed policyholders' share on the fake "investment expense" which in the New York Life was, in 1914 .13

giving a grand total of $41.68
for expenses.

But the company has received $25.05 only—perhaps $6.26 only—and the difference, $16.63—perhaps $35.42—**has to be paid by the other members.**

The law expressly permits them to spend in expenses 66% more than they receive. If the man was struck by lightning the day after he was insured, it would cost the company $1016.63.

That is, **under the law**, as amended in 1910, the companies are permitted to and do spend not only the **whole** of the premium paid in by Mr. Boob, but

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166% of it—or 666.65% of it, making the old members pay the other 66% or 566.65%.

The Reports declare that the man who insures and dies or lapses the first year, bears his proportion of the "death loss cost" for that year. How so? At age 31, he pays in $25.05 and no more. Out of this sum the company takes $41.68 for expenses. How much is left out of $24.05 for paying other "mutual" members' death claims? The fact is that if the insured dies his "mutual" friends pay $1016.63 above the premium of $25.05. It is hard to pay a "due share of the death losses" out of a deficit of $16.63.

The Hughes "reform" laws cost the policyholders over 100 millions a year, and it is ever increasing. Over 35 millions in additional expenses and over 70 millions in additional reserves to be forfeited in future years.

The law did not decrease expenses at any point;

Some "mutual" society!

How is that for scientific plunder!

That beats a license to steal.

No wonder Hughes was nominated for President and is now in 1917 leading counsel of tne Equitable Life.

Having analyzed the incomes and disbursements of Old Line companies, let us make a few miscellaneous comments:

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PART XIV.

PREMIUM RATES

EVERYBODY LOSES

The rates established in 1843 were mere guesswork, but they were careful to guess high. In 1877, the greatest of insurance experts in a careful report stated that the companies were robbing widows and orphans by more than 45% of the then existing assets by reason of high rates, false Tables of Mortality and false assumptions as to profit earnings. Subsequent events showed that he was far too conservative.

During the honest years of Life Insurance, the dividends were the largest ever known and an ordinary life policy became full-paid in 24 years.

In 1883, the Mutual after 40 years experience **reduced** its rates 20%—**mirabile dictu**—but this spasm of virtue lasted but two years only, and on January 1, 1885, up they went, higher than before. Up they went again in 1886, and the rate barometer remained stationary till January 1, 1898, when another increase occurred.

The great scandal of 1905 resulted in the "reform" legislation of 1906, and AN INCREASE of rates on January 1, 1907, taking effect concurrently with the law. Let us have another investigation where the Committee and its attorneys are paid by both sides—the State and the Com-

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panies—and we will, doubtless, be favored with still higher rates and higher expenses.

The rates of 1907-16 are from 25% and 50% higher than the rates of 1883. There is no limit to the appetite of insurance anacondas. (See Exhibit IX.)

There is an insane delusion among our innocent citizens that the reason Old Line insurance premiums are so high—three to five times too high —is because in younger years you have to pay for those who live to be 96. On the contrary, the man of 96, insuring at 32, has paid other people's death losses for 64 years, and has paid his own death loss from 8 to 14 times over, as shown by his "Honest Accounting" and the "profit" the company makes when he dies. (See Exhibits II and III.)

"Well, at any rate, the man who dies the first year is ahead of the game." Wrong again. Of 1000 men insured for $1000 each at 31 years of age, 3.56 of them will die before they are 32, and will receive in death losses, $3.560, which is the death cost. If each had paid a premium of $3.56 this cost would have been provided for. But each paid a premium of $25.05; all of them paid in $25,050. Even the 3.56 men who died paid seven times the actual death cost (7 x 3.56 - $24.92). (See Exhibits II and III.)

Nearly 33 1-3% of the 1000 will lapse the first three years, and lose everything. If they persist for five or 50 years, and then take "cash surrender values" or "paid-up policies", they lose again. The longer they live, the more they lose. If they live to extreme old age, the item of interest on early excessive premiums mounts up enormously.

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A man who has paid Old Line premiums for 50 years ought to get, not $1000 at death, but about $14,000. (See Exhibits II and III.)

Everybody loses.

But the "legal reserves" pile up.

And Finance Committees buy more yachts.

Who would want a license to steal?

POLICYHOLDERS ARE ALWAYS THE GOAT.

The Manhattan Life, under the directions of the Insurance Department, were obliged in 1916 to cancel, as a condition of legal solvency, $1,000,000 of "deferred dividends" which it had advertised widely as having been allotted to policyholders, the aggregate accumulation of dividends for 20 years, on a certain class of policies, leaving only $224,615.33 to be paid to those policyholders sometime in the future, provided the Superintendent of Insurance shall not again determine that these policyholders shall pay for the mismanagement of the Finance Committee. Happy those policyholders who got their dividends in cash. BUT, why should one class of policyholders pay for the obligations of all or for the mismanagement of the directors? In 1914 the Directors voted to the stockholders dividends of $74,265.24 on a capitalization of $100,000 (74%). In the same year 35,288 policyholders received cash dividends of $182,053.40 (about $5 per policy).

This company has been on the verge of "legal" insolvency for about 15 years, and, to tide over a crisis, appropriated or confiscated deferred dividends thus making a single class of policyholders

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pay practical assessments to make the company solvent. They had these dividends in their custody and could, therefore, absorb them.

Eighteen New York companies had, in 1914, over $270,000,000 outstanding in deferred dividends. What is to prevent the companies, or the Superintendent—same thing — from cancelling these also- Just adopt some higher Table of Mortality than the American Experience Table, say the Sesqui American, and you have the "legal" insolvency that will justify following the Manhattan precedent.

We are not the Seventh Son of a Seventh Son, but we venture the prophesy that, by 1926, dividends of all kinds will be substantially as defunct as the Dodo, if present tendencies prevail.

The directors of the Manhattan Life voted those dividends to themselves (stockholders) and to the policyholders when they knew that they might impair the company's solvency. Why did not the Superintendent of Insurance punish them by requiring **them** to make good that $1,000,000 deficit?

EVERYBODY LOSES

in life insurance except those who select the Superintendent of Insurance.

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A LICENSE TO STEAL

PART XV.

AGENTS

The current premiums on life insurance are so grossly high and the profits of the companies so enormous that they can afford to pay an agent almost anything to entrap the victim. Formerly there were outrageous agency contracts. The "reform" of 1906 cut down agents' commissions, as that law was drawn for the benefit of Finance Committees, not agents.

Honest life insurance is a beneficence. Fraternal insurance is a beneficence. There are, say, 8,000,000 Fraternal policies outstanding in the United States today, one to every thirteen of our inhabitants, men, women and children. Everybody **should** carry some insurance, and certain business men **have** to carry it, to secure their investments or their creditors, just as they have to carry fire insurance.

Why, then, a soliciting agent? Savings banks don't have them. You don't have to sand-bag a man to induce him to insure his home against fire.

Base life insurance cost upon honest mortality, honest profits, honest expense, and business will come to them without effort on their part in floods as it does to savings banks and fraternal societies.

A man's pride may permit him to beg; his conscience may permit him to steal; but he has to swallow both his pride and his conscience to solicit life insurance, for he not only makes a nuisance of himself, but his false and fraudulent representations amount to larceny. How many

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who see this scientific treatise will remember the oily agent who told them that in taking a 20-year tontine policy (with enormous annual premium), in 10 years the dividends would equal the premiums and after that they would get an income? You remember the tale, and you also remember how the dividends got beautifully less, and at the end of the 20 years you read your policy and found that you were getting only a small proportion of your own money.

What is the effect of this scrambling for victims through agents who over-persuade and deceive the unwary? The companies can make money by insuring consumptives even, for they will live long enough, and lapse frequently enough, to pay the agent, and absorb a large "expense loading" taken from all premiums. But what is the result? Let us compare again. The average annual death rate in the Equitable Life of Iowa for the past five years (1914) was 4.71 per 1000. The average annual death rate in the Equitable of New York, same five years, was 7.45 per 1000, being 63.2% greater than the Iowa company, that confines its business to the healthiest part of the United States. Yet, in law, neither company has an advantage or disadvantage over the other. The New York Life and Mutual stand equal, or nearly so, in the above comparison. The New York companies' agents must have scoured the tropical and semi-tropical cities in Europe, Asia and Africa, to pick up such a crowd of hectics.

But they can make a profit by insuring the psychopathic wards of hospitals at present premium rates when net death losses are all that are ever paid.

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And the law very carefully refrains from curtailing the "inherent right" of insurance companies to charge any premiums they please.

The courts are very kind to insurance companies.

Under an ideal system where insurance is really a beneficence, agents would be eliminated, and looked upon as no more useful than runners for savings banks, and no more respectable than "ambulance chasers" for lawyers.

But why talk about correcting the present evils? The patient has a cancer. The virus is in the blood. You can no more cure the patient with medicine than though he were in the last stages of smallpox. He is not only sick unto death, but he is dangerous to the community. Call in the undertaker.

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PART XVI.

INSURANCE REPORTS.

More marvels. More legerdemain. More trick phrases. The Insurance Departments print the blanks with incomprehensible questions in them and the companies fill them out most incomprehensibly. But this is a matter of course, for the Department and the companies are twins. It wouldn't do to have reports from which anybody but an expert could discover the facts and falsifications.

Do these reports reveal the sources of billions in "legal reserve" or the profits from forfeitures? Certainly not. An expert can work it out but no one ever has—and published it—**till now**. Exhibit V unlocks the mysteries of annual reports. Read it carefully. Its construction has taken time and skill. It is worth its weight in actuaries' salaries. Read the explanations of this table, and then hurry up and get yourself nominated for Governor or for the Senate or Assembly, where you can become famous by just being honest and intelligent.

Look at the various annual reports and see how "premium income" is padded so as to get an enormous "expense loading". Dividends — moneys paid out—are credited as premium income—moneys received; "net premium" being a fixed amount, depending in no way on premiums received, padding the premium income, pads the allowable expense account.

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FALSIFICATION OF REPORTS.

"ACTUAL INVESTMENT EXPENSE"

But we are not through. Why have a deaf, dumb and blind Superintendent of Insurance if you cannot utilize his talents? This accommodating Hughes law gives the companies more expense money in the shape of "actual investment expense", real estate charges, &c., and takes it away from "expense loading" where it can be seen with the naked eye, and hides it way in the reserve. But that is not enough. See how useful "investment expense" is in the reports!! Please remember that "investment expense" is a fake, and the "blank reports" do not require the companies to account for it as a "disbursement". It merely permits the companies to deduct it every once in a while from something so as to falsify something. It doesn't cost you or me or the companies one dollar to invest a million—the seller pays the broker and gives a good commission on the side.

Every owner of an apartment house charges the janitor's salary and taxes to expense; deducts them from the rents and says that he gets a certain net rental. Not so, a scientific insurance company: it credits all the rents as income and charges the janitor's salary, coal, ice, repairs and taxes, not to expense but to "reserve". It is not an expense at all! The income is padded and the expenses are charged up to the "mutual" members, leaving the entire "expense loading" to be used

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for modest and frugal expenses amounting to $1.77 for every $1 paid in net death losses.

In order to appreciate all the utilities to which Investment Expenses may be put, we may examine the Annual Report of the New York Life for 1914. The "investment expense" is $1,442,701.37. (Whew!) It is first **deducted** from "interest". (p. 187, N. Y. Ins. Report, 1915) Why? It is then **deducted** from "expenses" (p. 190). Why? and why deducted twice, once from "interest" received and then from "expenses" paid out? **It does not appear as a disbursement at all in the official reports.**

What becomes of it?

Who gets it?

Who wouldn't be a scientist?

This $1,442,701.37 is ¼ of 1% (§84) of $577,-080,548. The law says "**Actual** investment expenses". It may be that "Investment Expense" as expressed at p. 187 really means every additional expense permitted by §97(b) and includes taxes on real estate ($119,123.44) and expenses on real estate ($179,448.05) (p. 181). If we subtract these two items, we still have left for "actual" investment expenses $1,144,129.88 which is ¼ of 1% of $457,651.952.

Is there any one of our Marine recruits who will believe that the New York Life invested 457 millions of its assets in 1914 and "actually" paid ¼ of 1% to some one for selecting these investments? Most of their assets have been permanent investments for years.

Who got that $1,442,701.37?

Any investments should, of course, be made by

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the officers, on the advice of the Finance Committee. They are, as a matter of fact, so made—probably with large profits on the side, and often in stocks or bonds in companies in which they are interested. Assuming that the "ACTUAL" Investment Expense of the New York Life was, in 1914, $1,144,129.88 only, we note that this would require the company to change 457 millions of its investments annually, and this expense would amply provide for an Investment Committee constituted as follows:

1 Chairman at $40,000 per annum	$ 40,000.00
54 members at $20,000 per annum	1,080,000.00
1 Secretary at $24,000	24,000.00
Paper and ink &c.	129.88
Grand total	$1,144,129.88

Let Elizabeth's grafting courtiers blush at their own modesty!

The New York Life in its annual booklet for 1914 states that it increased its bond holdings $14,000,000 only, and yet they charge up for investing that $14,000,000, $1,442,701 or 10% on the sum invested.

What eloquence of fraud!!

The companies have a naive way of concealing their enormous surpluses by changing them into liabilities by a mere book entry—and the Superintendent of Insurance never knows the difference. By a stroke of the pen, the New York Life changes 40 millions of surplus into 40 millions of

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liabilities, representing nothing so substantial as hot air, even.

"Special funds and special reserves, December 31, 1914,	$40,683,266.04"
(New York Ins. Rep. p. 189)	
Here are the items:	
"Security fluctuation and general contingency fund $35,318,576.04 annual dividend equalization funds $1,623,618 (p. 184)	36,942,194.04
(This is purely fictitious, as all fluctuations are provided for by amortizations, and depreciations in market value are marked off every year.)	
"Reserve for Nylic contracts (p. 184)	$ 2,459,729.
(This is agent's commissions and a part of "expense loading".)	
"Reserve for unclaimed receipts (p. 184)	16,000
(Pure myth)	
"Reserve for **future expense** on paid-up annual dividend policies (p. 184)	320,000.
(Future expenses can take care of themselves; besides this is a part of "expense loading" also.)	
"Net value of risks reinsured in British companies, not included (in the report) as those companies are not doing business in New York State" (bottom p. 183)	945,343.

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(On these risks, the company collects each year four or five times more than necessary and reinsures them in "unauthorized" companies at a profit. There is no liability. ______________

$40.683,266.04

Why are not these 40 millions distributed as dividends? The "legal reserve" is large enough to pay all net death losses five times over.

These same items of falsification and concealment of surplus increased in the New York Life in 1915 over $7,000,000.

See Liquidation, New York Life, with present (1914) policyholders, Exhibit XI.

At page 190 of the 1915 Report, the New York Life gives its total expenses incurred by the company in 1914, at $14,757,219.98. Now, look at "disbursements" pp. 180-181: add up various items that look like expenses; do it time and time again, with all possible variations. Try to get a total of $14,757,219.98, or anything like it. "It can't be done." No actuary on earth can take the report and find out the "total expenses" of any other company, than his own, unless he borrows their "private key".

Try to solve the same Egyptian mystery by struggling with p. 187 and keep out of Matteawan if you can.

Life is too short to point out all the shortcomings of the companies doing business in the State of New York. It is enough to show the structural errors of the "system". Read any annual report. It is unintelligible. Get an expert to explain it. Have him tell you how they conceal assets so as

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to make the precious reserve appear smaller; how they "amortize" their assets; how they mark off millions each year for depreciation; how they, by a stroke of the pen, change assets into liabilities by creating "special funds"; how premiums are falsified; how dividends are falsified and nullified; how expenses are falsified; how death losses incurred, death losses paid and net death losses are falsified; how "actual investment expenses" that are never "actualized" are added and subtracted in all sorts of ways; how interest earnings are "actuary-ized"; how "mortality gains" are manipulated so as to appear to be but 1-8th of the true amounts; how surrender values are converted into expenses; how "supplementary contracts" falsify premium income and increase "expense loading".

Again we say: Life is too short.

We have only scratched the surface with a harrow. We will plow the field hereafter.

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PART XVII.

THE INSURANCE LAW: §§84 and 97 THE CZAR SUPERINTENDENT and THE ACTUARIES.

The iniquities of Old Line Life Insurance are seen in the laws passed by dummy legislatures, elected by Insurance Yellow-Dog funds, created by the Wall Street manipulation of "Legal Reserves". The laws get worse as the years go by; the prestidigators get more skillful, and new investigations into scandals give easy pretexts for "reform laws".

§§84 and 97 of the New York law are set forth in Exhibit XII. Read them carefully. Understand them if you can. If you can, here is my jackknife for a prize to the prize liar.

Then read the Annual Report of our marvelous personally conducted Insurance Department. Read the reports of the different companies and say that you understand them, and earn another jackknife.

After years of experience, and months of recent study, we think we have solved the jokers in §§ 84 and 97, but we defy any layman (Judge) to read these sections and say what they mean. The jokers are found in the definitions of phrases which the Superintendent can interpret as he pleases, or rather as the companies please.

THE INSURANCE SUPERINTENDENT

is a marvel. He is given power, executive, legis-

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lative and judicial, and there is no appeal to any court. He applies the law differently for each company, **if the company wants it,** and a dozen different ways in the same report of the same company, **if the company wants it.** He is a wonder at compliant good nature.

But let an interloper try to break in, or an honest or semi-honest outsider company, which does not steal on the same scale of magnificence as the New York companies, and see how active he becomes. (See Exhibit VII).

In the Annual Report of the Equitable he permits the use of seven different Tables of Mortality, six of which are higher than the American "Experience" Table (which is at least twice too high), applied in 22 different ways. Great ingenuity has to be displayed to increase cost and conceal surplus!

This agreeable Superintendent makes one set of rulings for the New York Life, another for the Mutual, another for the Equitable, and still another for the Connecticut Mutual, having applied to it the 3% basis 20 years prior to any law permitting it. Ditto, the New York Life, 10 or 15 years.

By the juggling of "expense loading", "net valuations", "net premiums", "select and ultimate methods", "terminal reserves" fictitious liabilities are created out of whole cloth to conceal divisible surpluses, and even dividends (alleged to have been **paid out)** are called **income,** so as to increase the "expense loading"; and ingenuous methods are legalized to get rid of exorbitant premiums under the guise of expenses.

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A LICENSE TO STEAL

Whoever before heard of a business where they laid awake nights trying to increase expenses, and then boasted of their assets, not created by profits but collections from themselves?

It would take a volume to point out all the marvelous tricks perpetuated under this marvelous law under this marvelous official called a SUPERINTENDENT of insurance.

How delightfully refreshing it is to read §§84 and 97 of the Insurance Law. Take your unabridged dictionaries—all of them; you will need them all—and try to interpret their matter-of-course phrases. Get definitions from Superintendents of Insurance, and from a score of actuaries; compare them; and then guess what the law means, if you can. Then examine the insurance reports and guess at what the Departments and the companies have guessed at, if you can.

What do they mean by the following phrases?

"NET PREMIUMS". How do they compute them? This is how the Superintendent of Insurance answers this question:

"Mr. Henry Moir in his 'Life Assurance "Primer' defines the 'net premium' as 'the mathe-"matical equivalent of the benefit, according to "the mortality table and rate of interest employed "in the calculation.'

"The 'net' portion of any premium paid by the "insured, if not to be found in some one or more "of the many works containing net premiums and "reserves for life insurance contracts, will have "to be computed; for this purpose a full descrip-"tion of the contract must be had."

Enlightening, isn't it?

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§84 says: "The legal MINIMUM standard for "contracts * * shall be the actuaries or combined "experience table of mortality with interest at "four per cent. per annum * *; provided that the "legal minimum valuation of all contracts * * "shall be in accordance with THE SELECT AND "ULTIMATE METHOD."

This is how the Superintendent answers the question: "What is the select and ultimate method of valuation?"

"The 'Select and Ultimate Method of Valua-"tion' is a method of valuing the reserve of life "insurance contracts which was added to the In-"surance Law of this State in 1906 **upon the re-"commendation of the Joint Committee of the "Senate and Assembly of this State,** appointed to "investigate the affairs of Life Insurance Com-"panies."

Clear definition, isn't it ?

(§84) "The Superintendent may **vary** the **stand-"ards** of interest and mortality", i. e., he can **make** the law, **interpret** the law and **enforce** the law. Some Czar!

"NET TERM RATES". How are they computed?

"Any life insurance corporation may **voluntar-"ily** value its policies, or any class thereof, ac-"cording to the American experience table of mor-"tality * * with or without reference to THE "SELECT AND ULTIMATE METHOD OF "VALUATION."

There are 264 Old Line companies doing business in the United States. Only 35 of these have been able to break into the rich clover of the New York pasture. In order to do this, they have to

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have in their possession, all the scientific tools of the New York insurance burglars. See what §84 provides:

"VALUATION OF POLICIES: The Superin-"tendent of Insurance shall annually **make valua-"tions** of all outstanding policies * * * All valua-"tions made by him or by his authority shall be "made upon the **net premium basis.** (There is the "joker.) The legal **minimum** standard for con-"tracts issued * * * on and after said day (Janu-"ary 1, 1901) shall be the American Experience "Table of Mortality (another joker) * * *, pro-"vided that the legal minimum **valuation of all "contracts** issued on and after the first day of "January, nineteen hundred and seven, shall be "in accordance with the **select and ultimate "method,** (another joker, an excruciatingly funny "and profitable joker) * * * The superintendent "may **VARY THE STANDARDS** of interest and "mortality (some autocratic power that!) in the "case of corporations in other countries than the "United States * * * and accept the valuation of "the Department of Insurance of any other State "or country, **if made upon the basis and accord-"ing to the standards herein required.**" (A huge joker which maintains a monopoly and requires all New York burglars to use the same sized jimmy.)

And see what §97 provides:

"A foreign life insurance company which shall "not conduct its business within the limitations "and in accordance with the requirements im-"posed by this section upon domestic corpora-"tions shall not be permitted to do business with-

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"in the state" (New York permits no petty larcenies within its borders.)

Where is the law that provides for this enormous and wholly unnecessary reserve? If you are a genius, you will find it in the "open sesame" of insurance fraud called "net premium".

Where is the law that charges against each policy each year 78% of its annual premium to provide for annual death losses (which never occur), (You will find it in "net premium") and when the man dies, instead of of paying his estate the "reserve" that should be credited to his policy (See "Honest Accounting," Exhibits II and III) the company gobbles it for more reserve? Search me. It cannot be found.

Where is the law that forbids a policy holder to find out by law, or otherwise, how much of this enormous reserve belongs to him? Search me. It cannot be found. The courts say so; and that settles it.

When a trustee holds trust funds, belonging to another, he is required to account at stated intervals, on the petition of any one interested in the fund. Our beautiful Insurance Laws have been so beautifully manipulated, and our courts have so faithfully interpreted them that no policyholder can force a "mutual" insurance company to show its hand in an accounting, or distribute surpluses belonging to the "mutual" enterprise; yet the officers (trustees) have not invested one dollar in the enterprise themselves. They are a law unto themselves.

They are the only trustees known to the law, who cannot be forced to account on the petition

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of the **cestui que trust** to the court. They alone are safe, "within the law", in misappropriating or recklessly squandering trust funds, without any liability to account.

Forfeitures amounting, in 1914, to $569,930,573 among 34 New York companies, are "profits", but no company accounts for them as such in any report to the Superintendent. They are sneaked into "Legal Reserve" without the formality of marching in the open through the open field of "profits" where laymen can see them with the naked eye. (See Exhibit V, col. 28 and 30.)

Policyholders come and go; they die and lapse; but the "legal reserve" mounts up forever, and Finance Committees keep getting more yachts.

Who would want a license to steal ?

Have you no theory or pretext on which these monumental wrongs are based? Certainly. We KNOW. The whole insurance enormity is found in the phrases "net premium" and "legal reserve" based upon fraudulent Tables of Mortality. A skillful actuary or a compliant Superintendent can find any kind of law, or any amount of law that the companies may want in these convenient phrases. All you have to do is to apply the rules of calculus, and there you are!

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PART XXIII.

ACTUARIES.

"You can fool some of the people all the time; and all of the people some of the time, but you cannot fool all of the people all of the time." *Lincoln.*

In life insurance, the Captains of Finance who control it, and who have created the "system," have come very near to fooling all of the people all of the time, at least, for about three generations. They have made all of the people believe that their false and baneful system is a beneficence and so sacred that for the courts, even, to interfere with it would be a public calamity.

How do you account for it? On what theory has a vicious system escaped detection of its real purpose for 73 years, when the effect has been to create the most gigantic swindle of the centuries—one that threatens the very economic existence of the republic.

An answer is possible: First, monopoly is insidious. *Business* is so much greater than *assets* that a monopoly of any *one* line of business would soon lead to ownership of all of the *assets* of the nation. While the *assets* of the United States are placed at 187 billions of dollars the *business* of the nation may equal that sum *each day*, and a small daily profit on "business" soon becomes a gigantic sum. With seven millions of Old Line policies in force in the United States (one policy for every 14th man, woman and child) with 15 billions of outstanding insurance, and with premiums 3 times too large, no wonder that the companies have liquid assets several times larger than all the currency of the nation. Secondly, the ordinary mind so stands in awe of the unknown—especially the product of acknowledged genius, that it soon accepts as true anything eminating from the mouth of an acknowledged genius.

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We take off our hats to engine No. 999 that whizzes over the rails at 60 miles an hour. We do not understand its mechanism, but we believe in the engine because we see the results with our own eyes. We do not understand the theory of the wireless or the talking machine, but we believe in them and their inventors, and accept as true everything that they say, whether we understand it or not.

If Marconi or Edison should enunciate some new theory of mechanics, we would accept it implicitly, no matter how incredible, for nothing can be more incredible than the wireless.

Lord Bacon's system of Inductive Philosophy upset the theories of the Ancients, and is now acknowledged as the starting point of this our Age of Invention. This philosophy insisted on statistics, the gathering of *exact facts,* as the foundation for every argument. The discovery of the calculus by Newton and Leibnitz almost simultaneously placed those worthies in the highest nitch of fame. They were immediately recognized as mathematical geniuses, though few understood the Differential and Integral Calculus and the Calculus of Variations. The application of the Calculus to Physics simply paralyzed the learned world with wonder. The results were simply dumb-founding. "Equation A" of Bartlett's Analytical Mechanics will solve any problem relating to the application of a natural force to matter, *if correct values can be given to the constants in that equation and the problem be properly applied and solved.*

It will be noticed, however, that correct statistics must first be gathered under the Inductive System of Philosophy so that correct values can be given to the constants.

Solving that equation, after inserting certain known values relative to the planets, it was found that the

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known planets were out of their course, and that there must be another planet, the disturbing cause, that, by the law of gravitation, had caused the errancy of the others. Solving the equation further, they determined that the new, unseen planet had a certain position, a certain mass, a certain density, and a certain velocity. These facts were forwarded to the observatories, and the astronomers directed to point their telescopes to a certain place in the heavens at a certain hour and they would find the stranger, AND THEY DID (1846). They had actually determined the size, weight, locality and orbit of an undiscovered planet, by noting the effect of it upon its sister planets. Do you wonder that the mathematical magicians are held in awe?

What is that wonderful Equation A? Here it is.

$$\Sigma P \delta p - \Sigma m \frac{d^2 s}{dt^2} \delta s = o$$

This equation is the Calculus expression of "the law of the conservation of energy" and is translated as follows:

The algebraic sum of the impressed and inertial forces are equal to zero; and this is the mathematical expression of the axiom that "Action and reaction are equal, simultaneous and contrary." We may not understand all this, *but we believe it*, and we trust the savants who talk so incomprehensibly, no matter what they talk about.

That is just what has happened in life insurance. In the beginning, when the "system" was developing and public sentiment being moulded, they knew that there was a certain doctrine of chances, which when applied to a large number of risks became a practical certainty on which exact business principles could be based. They knew that the great mathematicians

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could solve the doctrine of chances: for instance, just how often a person would hold four aces. Why should not the same doctrine be applied to life insurance?

The companies called to their aid the most famous mathematicians in the world—among them Professor Bartlett himself. They called them actuaries and gave them enormous salaries. They advertised profusely that life insurance was an intricate and abstruse system requiring the application of the Calculus. Of course, the people believed them, and have continued to believe them and the "fooled all the time" people still believe that life insurance has to be solved by Equation A, and that actuaries are great mathematicians to whom ordinary, ignorant laymen —even the Courts— should take off their hats; and to doubt an actuary is to be worse than an infidel.

To solve Equation A you have to have correct values to be substituted for the constants. The early mathematicians called in by the companies had no data whatever, as required by the Inductive Philosophy, from which to make correct substitutions. They did not try to get any. They simply guessed, but they had to earn their salaries, and they invented the fool equation found on page 136 which looks substantially like Equation A and then invented "net premiums" and deduced the fool theories herein explained.

These early actuaries called into the game were themselves honest and did not claim to their employers that their figures were mathematical or that their results were other than guesses, but their High Finance employers profusely advertised them, and these advertisements imbued the minds of "all the people" that the "system" of life insurance was as inscrutable as Equation A, and a fetish to be worshipped. The agnostic Ingersoll

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might ridicule religion, but no one might suggest errancy in an actuary.

The fact is that the present swindling system of life insurance is not founded on mathematics at all. Mathematics is an exact science and is based on demonstrated facts. Old Line life insurance is guess work, and based on deliberate fraud. There is not an element of mathematics in it. The equation on page 136 is merely a fraudulent imitation.

For 50 years, actuaries have been mere bluffers; small-fry clerks pretending to be learned. They get enormous salaries because the bluff has to be kept up and robber premiums have to be spent in some way. In any other business, $25 a week would be adequate for such talent. They know nothing but the "system" and all the secrets can be taught a bright high school lad in a month. They are not learned in the Calculus. They are paid for their mendacity. They know they are frauds, and are supporting a fraud, and they keep quiet.

Just think of it! For 73 years—say, three generations, not even one actuary has been honest enough to speak out and tell the truth—not even after death in a posthumous work. They are paid enormous salaries to keep quiet, and keep up the bluff.

It isn't ignorance. It is dishonesty. There isn't an actuary on earth who doesn't know, and who wouldn't swear on cross examination in an *honest* investigation that he knew, that the American Experience Tables of Mortality is a fraud when applied to insured lives during insurance ages, 99% of which are from 18 to 46 years of age.

Every actuary on earth knows that that Table foretells 2 1/5 deaths to one actual funeral, *and that "net premium" based on it is a fraud.*

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Every actuary on earth knows that that Table, starting with uninsured children of 10, who have never had a medical examination, and killing them all off at 96, is a fraud when applied to insured risks, and does not give correct "expectancies of life," *and that "net premium" based on it is a fraud.*

Every actuary on earth knows that 100% of insured risks do not become claims in full by death, but that only about 11% are so paid, *and that "net premium" based on that assumption is a fraud.*

Every actuary on earth knows that estimating interest earnings on the reserve at 3% is a fraud. They know from published statistics that no company in any year ever earned *interest* so low as 4½%, *and that "net premium"* based on a 3% basis is a fraud.

Every actuary on earth knows all about the enormous "profits" arising from forfeitures, and the cut-throat, pawnbrokers' rates on surrender and exchange of policies, and they keep quiet about it.

Every actuary on earth knows that the actual "profits" from these various sources amount to an average of about 25% of the reserve.

Every actuary on earth knows that no statement by any company has ever revealed these facts, and that no insurance literature, and no insurance report reveal them.

Every actuary on earth knows that the "system" of life insurance is built up on the method of computing "net premiums" and "legal reserves" and that the very foundation of the life insurance system is a lie, itself founded on lies that they know to be lies, i. e. that the American Experience Table of Mortality tells the truth, that 100% instead of 16% of outstanding risks

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are paid in full, and that the "earnings" of the companies are 3% instead of 25%.

Every actuary on earth knows that the "net premium" system based on well known lies is itself a fraud designed "to fool all the people all the time;" that "net premiums" is not a "mathematical necessity," is not based on mathematics at all; that the premises of this "system" are all false, the reasoning gibberish, and the results larceny through robber premiums, three times too large.

Every actuary on earth knows that life insurance is simple, not abstruse; that it depends on statistics not mathematics, and that $15 a week high school lads are competent to do the work of $30,000 a year actuaries, *if they are willing to throw their consciences into the discard.*

Every actuary on earth knows that Superintendents of Insurance are mere creatures of the companies; that the companies' actuaries have prepared the blanks required to be filled in by the companies for their annual reports; that these reports do not tell the truth about the companies' business; that the blanks are so framed as to conceal assets and expenses and cover up the fraudulent practices, enormous profits, wicked extravagance, mounting surpluses, and the whole lying system, proclaimed as a complicated mathematical problem, only understood by mathematical geniuses.

Every actuary on earth knows that the companies do not have "*Actual* investment expenses" that they figure with so glibly but never account for as a disbursement.

Every actuary on earth knows that the "reform laws" of 1906 increased expense allowances (over 140 millions for 1914) at the expense of "net premiums,"

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the so-called "mathematical necessity" set aside to meet death losses, but no actuary raised his voice in protest. No actuary on earth ever protested; they are paid not to protest.

Every actuary on earth knows that dividends, applied to pay for insurance, *increase* "expense loading" while lower premiums would *decrease* expense moneys, but no actuary ever suggested lowering the premiums which have been, on the contrary, increased from 35% to 50%.

Every actuary on earth knows that the expenses of life insurance amount to nearly 200% of the net losses paid; yet no actuary ever raised his voice to protest against such criminal waste.

Every actuary on earth knows that the "special funds" set forth in the reports are pure fakes and used to cover up "profits" and prevent the distribution of surpluses as dividends," that honest mortality, honest interest and honest accountings would immediately release 3 billions of dollars for dividends.

Every actuary on earth knows that the billions piled up as "legal reserves" and "special funds" are wholly unnecessary to pay death losses and present criminal extravagance even, and that it represents money filched from widows and orphans through robber premiums and "net" death losses.

Every actuary on earth knows that he has no chance to go to heaven because he has helped to build up, and has kept quiet about, this fraudulent system, and has helped to keep up this gigantic bluff about life insurance being a peculiar science known only to the "select and ultimate" few, thereby "fooling all the people all the time" and filching from widows and orphans the billions that belong to them.

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Every actuary on earth known that our recent reform insurance laws are burglars' jimmies, dishonestly fabricated by the companies designed to be used to break into the people's safes, and which the actuaries have extended so as to become burglars' scientific electrical jimmies to get into safe deposit vaults.

Every actuary on earth knows that he has aided and abetted the High Finances of the Finance Committees to juggle the books so as to make apparent "profits" out of losses; to conceal assets; to create additional "legal" expenses, and to keep up the pretense of life insurance erudition so as to make the people believe that this "system" is a sacred temple erected by mathematical geniuses; and for the courts even to interfere with it would be sacrilege.

Every actuary on earth knows that this "system" built up by them is so radically and fundamentally wrong; founded on lie after lie; sustained by reasoning so foolish as to resemble the chatter of morons on Randalls Island; with results so vicious as to constitute the greatest swindle under the Milky Way; so that no medicine can cure it and remove the poison; no surgeon can remove the cancer; there is nothing to do but to call in an undertaker and bury the cadaver and the actuaries in the same coffin of obliquy and shame.

Every actuary on earth knows that he is a hypocrite and not entitled to the fair name that he enjoys among decent neighbors, and that no asbestos coffin can save him from a just punishment for a long life of deception.

All actuarial bookkeeping is honey-combed with fraud. Nothing can illustrate this better than the method of juggling with what the "reform" laws call "*actual* investment expense" but which is neither "actual" nor "investment expense." It is the height of

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absurdity to assume that it costs the companies one dollar to invest billions. It is the seller who pays the broker and gives a bonus on the side. Besides, the companies do not invest and re-invest their billions *each year*. This is so raw a law that no company includes this "expense" among its disbursement; no Insurance Superintendent requires any company so to classify it. It would be too brazen perjury.

AND YET, the actuaries utilize this "reform" expense to the Queen's taste. They debit it four times, costing the policyholders three times the original sum of $10,869,891 (34 N. Y. companies) through trick bookkeeping. The following will give it in detail.

SAMPLE OF ACTUARIAL JUGGLING
INVESTMENT EXPENSES

This is an item of actuarial invention existing *without a shadow of authority by law.*

The various uses to which it is put in order to defraud and deceive, *is only excelled by "dividend credits."*

It is a scheme whereby the companies in the first instance obtain for expenses that much more money than *any law* ever contemplated, followed by disingeneous uses to rob widows and orphans of their equity,—to wit:

In the first instance they obtain for expenses under false pretenses $10,869,891. Regardless of this fact they deduct this same $10,869,891 from the "legal reserve" thereby causing a deficit in the "legal reserve" of $10,869,-891. This deficit requires the policyholders for the second time to pay in new money together with its attendant expense of $10,869,891 in order to make good the deficit due to such false pretenses.

Next this same $10,869,891 is bodily deducted from the "interest earned during the year" thereby de-

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stroying the profits divisable among policyholders of 1914 to the extent of $10,869,891. So up to this point the policyholders have not only been robbed of the original $10,869,891, but on the contrary they have been irrecoverably robbed by this chicanery of $32,609,670.

Falsification of this item does not cease at this point. In the next instance they bodily deduct this same $10,869,891 from "*Salaries of Officers and home office employees*" without practically one dollar having been expended for such purpose, by which means they falsify their "insurance expenses" by $10,869,891, *and with this sum deducted is the "insurance expenses" as shown in all official and home office reports.*

Regardless of this gross falsification of facts this same $10,869,891 is shown in all official reports as an alleged saving on their expense loading instead of $10,869,891 in excess thereof as provided for by section 97 of the law.

Wonders appear never to cease with this self created "Investment Expense" because by the next falsification it is made to appear *in all official reports as an unalterable net profit, divisable among policyholders of* $10,869,891. In fact *all actuaries declare that this* $10,869,891 *constitutes a part of the funds out of which dividends may be declared.*

Just stop and think what this means; by actuarial juggling with this purported disbursement; the *money obtained by false pretenses, resulting in a net divisable profit equal to the sum so obtained by fraud.*

Yet these are the facts as they appear in all official reports.

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SUMMARY

Alleged actual investment expenses; money obtained under false pretenses		**$10,869,891**
Debit 1	Legal reserve impaired	10,869,891
Debit 2	New money required to make good deficit	10,869,891
Debit 3	Amount deducted from "interest earned during year"	10,869,891
	Net loss to policyholders of 1914	$32,609,673
Debit 4	*"Salaries of Officers and home office employees"*	$10,869,891
Net profit, divisable among policyholders		10,869,891
Insurance expenses falsified		10,869,891

Yet all of these figures of legerdemain are vouched for by actuaries as absolutely truthful and necessary in this great institution of beneficence, these figures are sworn to by the officers of the companies and finally they are legally approved by every Insurance Department in the United States.

WHO WOULDN'T EMPLOY AN ACTUARY?

WHO WOULDN'T HAVE A SUPERINTENDENT OF INSURANCE?

WHO WOULD WANT A LICENSE TO STEAL.

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PART XIX.

SIMPLE BOOKKEEPING.

Exit the calculus; exit the actuaries; enter common sense; enter a $20 a week bookkeeper.

The disbursements each year are easily determined. Simply add the sum actually paid out for death losses and the sums actually paid out for expenses, and you have it. The only problem involving so intricate mathematics as multiplication and division is in distributing these gross disbursements equitably among the "risks", thus charging against each policy the actual cost of carrying it for that particular year. It is evident that the cost of insuring a man of 20 is not as great as that of a man of 60. The former is expected to pay premiums for 50.3 years to come and the latter for 15.8 years only. A policyholder just starting at 18 should not, of course, be charged with the same proportion as the one starting at 65.

How can you determine this just proportion? We know to a substantial certainty (within 2%) that among 1000 selected risks (i. e. those having passed the usual medical examinations), all aged 18 years, 2.83 will die before reaching the age of 19; aged 19, 2.85 will die; aged 20, 2.90 will die; &c., &c., aged 31, 5.57 will die; aged 45, 8.05 will die; aged 60, 10.67; aged 100, 1000 will die. These proportions are exact, or so nearly exact that no substantial wrong will be done in using this basis.

Even if the figures are wrong for any particular locality (city or country; temperate or tor-

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rid zone), the **proportions** are substantially correct, and proportions alone enter into the problem, i. e., the cost of insuring a man of 20 for one year ($3.76) is in proportion to such cost of insuring a man of 60 for one year ($18.92) as 3.76 is to $18.92.

Assume that the death losses for the year, 1915, aggregate $30,000; the number of risks (policies) carried is 6,000; 30 died; the expenses, $9,000. $1.50 per policy is enough. It costs as much to take care of one policy as another. Charge against each policy its share of the expense, say, $1.50. A ten year old lad can dispose of your bookkeeping thus far. Now, select a grammar school boy to adjust the death losses.

There are ten policyholders aged 18; multiply 10 by $2.98, the proportion of deaths for that age; there are 20, aged 19; multiply 20 by $3.37 (See table, Exhibit I.) there are 50 aged 20, multiply 50 by $3.76; there are 100 aged 31, multiply 100 by $3.56; there are 120 aged 45, multiply, 120 by $5.92; and so on for each age. Add up these products, divide the $30,000 death losses by this sum and you get the "unit" of loss for the year, and hence know the exact charge against each policyholder. The yearly death loss will vary at the different ages at different years, but in the end will be within from 1% to 3% of the above figures, as these figures are based upon over 400,000 lives exposed to death for the period of one year at **each** of the ages referred to. Kick out the actuaries and apply common sense to facts as they exist.

Holder of policy No. 1739 is 45 years old; multiply this unit by $5.92, and you have the amount in dollars that should be charged against policy

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No. 1739, as its equitable share of the death losses for 1915. Simple, isn't it ?

Why hasn't this been thought of before? It has. Every actuary, every thoughtful insurance man, has thought it out. BUT HE DIDN'T WANT TO APPLY IT. It would not pile up a surplus to be pointed to with pride and to be manipulated with profit. Finance Committees couldn't buy Fifth Avenue palaces or Newport yachts without a surplus.

Why, pray, should insurance companies solicit business? Savings banks do not. Why should agents be paid as much as 105% of the first premium for talking a man to death and cajoling him into taking a policy with premiums 5 times too large on the net benefit given? Is it sympathy for prospective widows and orphans? Oh, no, there is profit in it. For whom? Well, the poor agent who bores you to death, makes a nuisance of himself, and actually believes the talk that the officers tell him to learn by heart, gets a bare living, and when he dies the neighbors breathe easier. The officers get salaries, measured by thousands, with talents for work measured by hundreds, and talent for legerdemain measured by millions. The Finance Committees without a dollar invested in these "mutual" companies, pile up millions and become "angels" to political parties.

Re-learn the monopoly lessons of 300 years ago. Invoke the Common Law. Capture the Legislature and the Governor, **just once.** That is enough. One Legislature woud be a competent undertaker to bury the present infamous laws. The Parliament of 1625 made short work of the patents of monoply granted by Elizabeth and James I.

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Let the District Attorneys and Grand Juries get busy. They don't have to cut off a king's head or hang, draw and quarter these offenders. Sing Sing is enough.

There must be drastic remedies. Not a physician, but a surgeon to cut out the cancer.

Our country is now the richest, most powerful, most influential nation on earth. The concentration of unclean wealth in the hands of an unclean few is our only formidable enemy. Turn on the light—the X rays if you will, and when the great American people understand the danger,, their intelligence and patriotism will apply the correct remedy.

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PART XX.

AN IDEAL LIFE INSURANCE SYSTEM.

THE REMEDY.

Our Insurance Laws are not only corruptly bad, but fundamentally erroneous. What possible use is a Table of Mortality? Why predict deaths at all? They occur whether predicted or not. The Weather Bureau may foretell a storm, but cannot prevent it. Savings Banks do not have to foretell withdrawals. If they come, they come, and each account is balanced twice a year whether the withdrawals be few or many. A level premium is deemed desirable, but when a rational level premium, for each year of entry, is once determined upon, the tables become useless.

Throw Tables of Mortality to the winds. Each year, balance the account of each policy. Charge against each policy its share of the death losses during that year—whether they be great or small—and the expenses; credit each policy with the premium paid and its share of the earnings: the difference is the net amount due on that policy on December 31st. (See Exhibits II and III.)

Add up all the net amounts due on ALL policies, and you have the amount of assets that should be credited among the policyholders pro **rata.**

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Our system does **not** do away with "assets". Each company would have them just as a savings bank does, and not otherwise. The "net balance" due each individual at the end of each year must be invested.

Our system **does** away with "net premiums", "terminal reserves", "legal reserves" and all that nonsense, based on false tables of mortality and false interest earnings. No policyholder should be charged with any death not actual, and he should be credited with his share of all profits whether they come from interest or forfeitures. Each year there should be an honest accounting, in relation to each policy; its exact present value should be determined (and **told** to him) based on the actual death losses and actual expenses of the year, and the actual profits from all sources.

If the policyholder wishes to withdraw at any time, he should be permitted to do so and take everything that belongs to him. If he wishes to remain insured, he must continue to pay his "minimum" premium and leave his "net balances" to provide for greater cost in old age.

Under this very simple method, each death loss should be gross, not net. All of this "net" business—"net premiums" and "net death losses" &c., is merely a prestidigitator's device to aid in committing larceny.

If a policyholder should die the second year, his widow should get, not $1000, but $1000 plus the amount due on the policy on the last December 31st, say, $1010.50. If the husband had been paying into the treasury for 20 years, and his policy had $1500 to its credit on the ledger, she should get $2500, not $1000.

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Every $1000 death loss each year is paid, **pro rata,** out of the gross premiums for **that** year, and should be charged against each policy each year, just as a withdrawal of that sum is charged in a savings bank. He has been insured for that year and has paid for it in full by this charge against his policy. A $1000 death loss (paid out of the premiums for that year) has nothing to do with the accumulations for any preceding year. Each year-tub stands on its own bottom. When the year is passed, he has been insured during that year and has paid for it.

The amount due on each policy on each December 31 belongs to it as much as does the balance on a savings bank book. It has nothing to do with the losses in past years; the policy has paid its share during those years—nor with death losses in the future—each year's premiums will care for its own deaths.

It is grossly unfair that a policy that has paid in its $1000 several times over in premiums and their earnings, should get no more at death than the one that has paid one premium only.

And why should not a policyholder be permitted, by law, to obtain a statement of his account at any time, just as he can get one from a savings bank on request?

Under this simple method, it doesn't matter what the premium is—large or small—above a minimum, large enough to cover the actual death losses and necessary expenses. A premium of $7.50 might leave nothing to the credit of the policy; a premium of $100 would leave a credit of

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$92.50, to be invested like any other savings bank account.

"But", you say, "under this method, on liqui-"dation, the last man would have nothing but his "own $7.50 premium for the current year to pay "for his own death loss." No, the company has on hand the accumulations on his policy just as a savings bank has the last depositor's savings invested. Liquidation would be accomplished within 12 months, and every policyholder, dead or alive that year, could get every dollar that his December 31st balance called for. The assets of the company would be equal to the sum of all the December 31st policy-balances, and the death losses and expenses of that 12 months would be met from that year's premiums.

There is no reason why any policyholder should not withdraw from this Insurance-savings Company—at any date, and get every dollar due on his policy. That amount due has nothing to do with insurance. His insurance was paid for each year out of his premium (deposit).

If he stays in he leaves his balances, which will take care of the future. He **owns** the yearly balance and should be able to take it out in whole or in part at any time.

The theory of this method would not be disturbed by a policyholder paying a $50 premium this year and $100 next, if he wished to put that amount to his credit. But people generally prefer to separate their savings bank and insurance accounts, and they would, probably, prefer to pay a minimum premium only. Generally speaking, people buy insurance only from an insurance com-

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pany and do not contemplate an investment. If they do, what glorious simpletons they are under present Old Line highbinding.

What is the remedy? Our present system is so vicious, so foolish, so dangerous to the Republic, that, even if the people do not get their eyes open to-day, these criminal "legal reserves" will soon become so stupendous that, like the Rock of Gibraltar, even a sleepy citizen can see it, and, in a peaceful revolution, the people will sieze them as stolen goods, the owners of which are dead and forgotten. This surplus does not belong to present or future policyholders, three-fifths of it has been fiilched from widows and orphans long dead.

Eventually, each State may possibly have an Insurance Department actually owned by the State, that will given insurance at cost. "Eventually! Why not now?"

It is not fair for insurance to cover a wide area. Citys risks are less desirable than country risks. A moral, intelligent farming community in Iowa should not pay for death losses in a city in the tropics, nor for negligent, or corrupt insurance supervision in a boss-ridden State.

When a Shah of Persia visited the home of the Duke of Westminster, Eton Hall at Chester, the home of her Majesty's richest subject, and marveled at the profusion of wealth displayed, he said to the Prince of Wales who accompanied him: "Is the Duke a subject of yours?" "Yes," said the Prince. "Well", said the Shah, "Why don't you cut off his head?"

Subjects may be too rich and too powerful. The great insurance companies already corrupt legis-

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lation. What will they do when their "legal reserves" control all the ready money of the realm?

REMEDIES FOR EXISTING EVILS.

The best remedy would be the immediate repeal of all Old Line insurance laws, and the taking over of all assets by the State, and their distribution to those owners who can be determined, and the taking over of the balance (about three billions of dollars) by the State as property belonging to policyholders now undeterminable. The State should then appoint a Department of Insurance to give insurance at cost as is done so well in some foreign countries. The new Fraternal Laws, known as the New York Conference Bill, are excellent.

If, however, this be deemed too radical, and it is desired to call in a physician instead of an undertaker, we suggest to the doctor the following remedies, which are absolutely essential in order to enable policyholders to obtain insurance at cost and to destroy the present abominable "system":

(1) Prohibit every mutual company from holding a surplus not represented by an individual credit.

(2) Away with our present sleight-of-hand laws; make them as simple as fraternal society laws. It is impossible to amend them.

(3) Away with "Legalized" "Tables of Mortality", "Net Premiums", "Net Valuation", "Legal Reserves", "Terminal Reserves", "Select and Ultimate Method", "Expense Loadings", "Standards of Interest and Mortality" determined by the Superintendent, and

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"Standards adoped by the companies", "Gross Premiums of the Year" fixed by actuarial ledger demain and all that nonsense that nobody understands.

(4) Require all assets to be represented by individual credits (as in savings banks) instead of the present method of putting all moneys into a common fund that they say, belong to all, but which is beyond the control of any, and concerning which they can never even get an accounting.

(5) Require every Old Line company to do business on the simple common sense and honest methods of savings banks, as outlined in this treatise.

(6) Let the State take over our present "legal reserves", distribute them to the owners as far as possible, and take over the balance as an estate without heirs or next of kin.

(7) Prevent any company from keeping on hand more "ready cash" than is necessary for current expenses.

(8) Limit all expenses to 25% of the first year's premium (to cover the medical examination and other preliminary expenses) and to $1.50 per policy per annum thereafter with an allowance of 25c annually on each policy that pays no further premiums. These sums are enough. This reform would reduce expenses to about 7% of present alleged disbursements.

(9) Require every company to use its own Mortality Experience, as a basis of rates, and publish to the World what that mortality rate is. Let every company having less than 100,000 exposures use the Modern Woodmen Experience.

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(10) Let the minimum interest rate on which to estimate insurance cost be 4½%.

(11) Let all forfeitures be prohibited.

(12) Require every company to furnish to every policyholder annually, detailed statements of mortality and mortality cost at each age as is now required of Fraternal Societies in certain States.

Each company should be required to furnish each policy-member with every detail of his interest in the company on demand.

(13) Make it a felony to falsify an account, and impose upon the Superintendent of Insurance the duty to see to the enforcement of the law.

(14) Make every act of the Superintendent of Insurance reviewable by the Courts at the suit of any policyholder.

(15) Prohibit all Endowment policies in their present form as immoral and against public policy.

(16) Prohibit all undervaluation of assets and all over valuation of liabilities.

(17) Prohibit all companies from making premium charges in excess of 20% over actual cost, based upon the actual experience of each individual company, having been in business 20 or more years.

(18 Require every company to furnish annually profit and loss statements based upon "Honest Accounting" and showing profits from every source. Require blanks for reports that can be understood by all, and that will make concealment and falsification impossible.

We might go outside of insurance, as long

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as we are proposing reforms amounting to revolution, and say: (a) go back to the law of 1848, which forbids any corporation from owning stock in any other corporation, thus preventing "holding companies," the essential to trusts or monopolies; and (b) prevent any corporation (i. e. bank) from **loaning** money (not its own, but its depositors') **on call** on the **stock** of any corporation. This would cut out every gambling transaction in Wall Street, for individuals' funds would not be sufficient to keep that boa constrictor alive. Such gambling transactions are 10% margins and 90% **call loans**, obtained from banks.)

In fine, open the eyes of the people to the magnitude and wickedness of this gigantic insurance swindle. Teach them how they are being robbed; tear off the mask of respectability from these thimble-riggers under the guise of law; and when the people actually awaken to the seriousness of the crimes being committed by their respectable neighbors, they will rise in their might and consign them to the infamy they deserve and strip them of the power to rob the widows and orphans of their own neighbors "within the law".

Away with licenses to steal!

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EXHIBIT I.

"ACTUAL MORTALITY EXPERIENCE"

and

ACTUAL DEATH LOSS COST.

Tables of Mortality enter into all "net premium" calculations. The policy is charged with the number of deaths predicted whether there are that many funerals or not. The **minimum** legalized table is the American Experience Table of Mortality. This Exhibit compares the **predicted** deaths with the **actual** number of deaths. The Modern Woodmen Table is exact, having been compiled in 1914 from a conscientious observation of 10,822,152 actual insured exposures. (1883-1913). The American Experience (?) Table was compiled from guesses in 1868.

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Net valuation assumes that every dollar of ex-
cess premium paid by him, every dollar of interest allowed to him by law, (3%), every dollar of in-

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Actual death loss cost vs. dea lent tables of mortality.

Actual death loss cost, based on trast with that which the policy-holc Sesqui-American Table and Double .

Note the death loss cost column 3

Age at entry	Number exposures to death at each age for 1 year	Number of actual deaths at each age	A l $
	1	2	
18	25,369	75	
19	88,357	298	
20	152,847	575	
21	201,917	713	
22	242,582	843	
23	275,994	983	
24	304,135	1,111	
25	330,263	1,217	
26	352,025	1,199	
27	371,243	1,271	
28	389,940	1,300	
29	405,486	1,430	
30	415,671	1,537	
31	428,735	1,528	
32	436,893	1,601	
33	446,706	1,654	
34	4[illegible],940	1,788	

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A LICENSE TO STEAL

THE SWINDLE OF TABLES OF MORTALITY AND "NET VALUATION"

In order to show the true wickedness of the use of Tables of Mortality bearing no relation to truth and applying "Net Valuation" in the settlement of all claims, based upon these two dishonest methods, let us give a concrete example, by taking the actual experience of the Modern Woodmen of America, covering age 28:

Number of exposures to death for 1 year	Actual number of deaths	Deaths charged for American Table	Deaths charged for Sesqui American Table	Deaths charged for "Double American
389,940	1300	3221	4831	6442

By this it will be seen that by the use of the American Table, which is the minimum standard permitted by law, the death loss charges become 247.7% plus, on the actual; by the use of the Sesqui American 371% plus, and by Double American 595% plus, on the actual deaths.

Tens of millions of legal (?) reserves are created on the two latter percentages.

Startling as the facts must appear, Tables of Mortality simply lay the foundation for the still greater crime. "Net valuation" becomes the **masterpiece** by declaring, in effect, that no policyholder can become a creditor, regardless of the fact that he has at all times paid in the ratios above indicated.

Net valuation assumes that every dollar of excess premium paid by him, every dollar of interest allowed to him by law, (3%), every dollar of in-

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terest earned in excess thereof, every dollar of his share of profits from forfeitures and all profits arising from whatsoever source shall be used in the payment of his own claim at maturity.

By Honest Accounting Exhibits II and III, it is proven that each policyholder at death has standing to his credit not less on an average than $585 on each $1,000 policy, or in other words, he pays not less than 58½% of his own claim, after having so grossly overpaid his pro rata share of the death losses of all others during the life of his policy. This being true, the maximum loss falling upon the company does not exceed 41½% of the face of every policy on which death occurs.

In order to make the effect of "Net Valuation" most clear, the actual death loss on these 389,940 exposures was 1300. Of this loss 58½% or 760½ deaths were bourne by those dying and 539½ death falling upon the company proper.

In other words, the company received pay under the American Table for 3221 deaths, under the Sesqui American Table for 4831 deaths, and by the "Double American" 6442 deaths, yet when final settlement was made the company paid for not to exceed 539½ deaths. That is to say, by the use of the American Table and "Net Valuation" the company received pay for substantially 600% on actual net cost, 900% on the Sesqui American and 1200% on Double American.

In order to make the enormity of this crime more clear, the New York Life (see page 182 New York Insurance Report) has $42,131,837 of its reserve liabilities computed at 3% on the basis of 6442 deaths and $47,250,111 at 3% on a basis of 4831 deaths, yet in actual settlement, it paid as a

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maximum for 539½ deaths. Under "Honest Accounting Exhibits II and II and under "Honest Accounting under a dishonest system" Exhibit V, Column 21, the death loss robbery equals in each instance, the company paying only about 1-7 part of each policyholder's equity in death loss settlement, the remaining go into the legal(?) reserve(?) only to be forfeited from year to year, by one generation of policyholders after another.

These are facts that only the expert can reveal.

Who would want a license to steal?

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FRAUDULENT TABLES OF MORTALITY AND FALSE PROFIT THE FOUNDATION OF FRAUD.

"Net premiums" fixed by law and declared a "mathematical necessity," depends upon two things,—Tables of Mortality used and the rate of interest used in making the computation.

The following fully illustrates the important part these respective items enter into the computation.

Let us take age 31—Ordinary life policy, annual premium $25.05. Expectancy of life 39½ years, correcting errors, not less than 40 years.

"NET PREMIUM" REQUIRED

American Table	@	3%	$18.79
Sesqui American Table	@	3%	28.19
Double American	@	3%	37.58
American Table	@	4%	$16.68
Sesqui American Table	@	4%	25.02
Double American	@	4%	33.36
30 Offices experience	@	6%	$13.02
Sesqui American	@	6%	19.53
Double American	@	6%	26.04

We will at this point, ignore the fact that the actual profit earnings exceed 24% on the same item that *the law is supposed to allow 3%, while in actual practice even this 3% is nullified.*

"Net premium" a "mathematical necessity" at 3% $18.79
"Net premium" a "mathematical necessity" at 6% 13.02

Excess $ 5.77

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This small item of $5.77 paid annually for 40 years, when the true "expectancy of life" is up, at age 31, at 6% compound interest, amounts to $946.57, while $6.10 for the same time and at the same rate of interest becomes $1,000. Therefore by the use of legal interest and honest "expectancy of life" the fact becomes established that the *actual net cost of insuring a person at age* 31 is $6.10 and not $18.79 as required by the American Table at 3% or $37.58 called for by Double American 3%.

Why is $25.05 required annually by the minimum Table of Mortality in order to meet a net obligation of $6.10? FRAUD!!

These facts alone should prove to every one having the slightest knowledge of mathematics that the whole basis of life insurance cost is not only essentially and radically wrong, but in addition, a swindle never before equalled in the history of finance.

"Net premiums" based upon the minimum Table of Mortality permitted by insane laws,—the American, requires the policy holders to pay for 2 1/5 times the death loss that actual occurs. 2 1/5 times the death loss charges, require 2 1/5 times the "net premium" which is declared the "mathematical necessity," this in turn requires 2 1/5 times the gross premium to be paid to the policy holder; this requires 2 1/5 times the expense loading to be borne by the policy holder, this requires say 2 1/5 times the interest to maintain the legal (?) reserve (?) and winds up by *requiring the companies to hold and accumulate* 2 1/5 *times the liquid assets as a condition of legal solvency* that would be required, by actual mortality cost, instead of Tables of Mortality legalized through the use of the "Yellow Dog Fund" in order to defraud widows and orphans.

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But the matter does not stop here by any means or manner. By the use of a score or more Tables of Mortality all necessarily higher than the American instead of this 2 1/5 times establishing the true difference in mortality charges it requires not less than 2½ times in all the particulars above mentioned in the first instance, regardless of the fact that their profit earnings exceed 24% in fact. They purport to pay their policyholders 3%, but by infamous practices, even this 3%, which is less than one seventh (⅛) part of the actual profit earning is as completely nullified as though it never existed. To make this particular form of robbery clearly understood; under *existing practices every dollar of excess net premiums paid, every dollar of interest allowed the policyholder by law* (3%) *every dollar of interest earned in excess thereof, every dollar of profits made from whatsoever source, every dollar of dividends credited to policyholders even though it had not already beeh converted into an expense charge,* **is used in the payment of his** own claim at muturity.

WHO WOULD WANT A LICENSE TO STEAL?

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LIFE INSURANCE COST.

"EXPECTANCY OF LIFE."

There is no other commodity of every day life, the cost of which can be determined with the same degree of accuracy as life insurance.

There is no complexity involved, except that created by actuarial skill in order to deceive and defraud.

The business is as simple as A. B. C., when stripped of chicanery.

Honest life insurance must be based upon one of two methods.

First. *Upon the actual mortality experience of each individual company,*—that is to say, the actual death loss sustained per 1,000 at each important age involved in life insurance cost, upon the assumption that the profit earnings will average in the future the same as they have averaged for the past 73 years.

Second. Upon the only method of obliterating the possibility of fraud, basing life insurance cost upon *honest, "expectancy of life"* which cannot be deduced from dishonest Tables of Mortality, neither can honest "expectancy of life" be deduced from an honest Table when the first five years of insurance on each policy has been eliminated, such as all Tables, including the Modern Woodmen, carry with them.

The "expectancy of life" varies according to the Table of Mortality from which it has been derived.

The Sesqui American Table calls for 50% more death losses than American, would reduce its "expectancy" most fearfully while by the vast use of the Double American

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its death loss charge is double the American, thereby still further shorten the "expectancy" of each and every insured life.

It is therefore of the utmost importance that honest "expectancy" should be established in order to enable each company to compute cost accurately, and honestly.

In order to illustrate this point, take age 30:

Modern Woodmen	"expectancy"	40.3 years.
National Fraternal Congress	"	37.7 years
United States (Census) Table *covering males and females, consumptives and diseased*	"	36.5 years
American Table *which the law declares shall be the minimum* standard used. (no maximum)	"	35.3 years.
Carlisle Table	"	34.3 years.

The "expectancy of life" based upon the Modern Woodmen Table, by which the first five years of insurance is excluded, determines within about one year on an average, the actual "expectancy of life." In other words the expectancy would be lengthened on an average of about one year, provided the first five years of the insurance was taken into consideration such as honesty demands.

Insurance based upon honest "expectancy" becomes the simplest matter on earth. When the "expectancy" has once been honestly determined all that is necessary is to apply the Annual Deposit Table as set forth under the heading "Actual Net Cost of Life Insurance" which follows and the whole cost of life insurance is solved. Under this honest plan, *actuaries are of no more use in life insurance than in a stone yard.*

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Under the first plan, the Modern Woodmen by its actual experience in insuring over 15,000,000 lives between 1883 to 1915 both years inclusive, covering quite 500,000 lives at each and every important age involved in life insurance, *establishes for all time to come or at least until there is a complete change in the constitution of society*, the maximum *necessary* death loss cost at each and every age.

In using the word "necessary," we mean to say that any company using like care in the selection of the lives they insure and the locality from which such lives are selected, will have a no greater death loss than the Modern Woodmen, which conducts its business at less than 1/18 part the expense of these old line companies. In fact the Equitable Life of Iowa for the past seven years has maintained a death loss of say 40% less than the Mod-Woodmen, while companies like the Northwestern, Union Central, Mutual Benefit, National of Vermont and Provdent Life and Trust, have been much less than the Modern Woodmen.

On the other hand the New York Life, Mutual Equitable of N. Y. and Home, all insuring the hectics of the world, sustain a death loss of more than double the Equitable of Iowa. Yet under the nefarious provisions of law, all companies must charge all policyholders for the death losses fixed by fraudulent Tables of Mortality, which ends by placing a net tax upon the policyholder of not less than 550% on the net benefit received.

The most reckless and badly managed stands on parity with the most conservative.

One of the anomalies of the business is that the more conservative a company is, the greater the percentage of robbery of widows and orphans,—their gain over the reckless, under the absurd and dishonest provisions of

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law, is forfeited from year to year and from one generation of policyholder to pay "future death losses," of succeeding generations which never occur. The law says they will occur, facts prove they do not.

The only question to be answered is "how much longer will the policyholder permit themselves to be robbed by dishonest laws, dishonest juggling with these dishonest laws and dishonest practices outside of the law itself?"

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ACTUAL NET COST OF LIFE INSURANCE

FINAL AND CONCLUSIVE PROOF THAT LEGAL REQUIREMENTS, under tbe minimum standard places a charge against policyholders of more than

300%

ON THE GROSS DEATH LOSS COST

Yet in actual practice, by the use of the policyholders own money in the payment of his own claim at maturity, the companies, on thc average, literally settles with them at 25 cents on the dollar.

The "expectancy of life" as given in the following table is deduced from the actual experience of the Modern Woodmen covering over 15,000,000 exposures to death for the period of one year, which establishes for all time to come the honest minimum member of years, necessary to be used in determining the requisite sum that must be paid annually, at the various ages and rates of interest stated, in order to produce $1,000 at the end of the "expectancy"

This honest and truthful method of determining life insurance cost very properly eliminates all tables of mortality and consequently death loss fraud existing under present infamous conditions per 1000 from consideration.

This plan stops the possibility of the death loss

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fraud provided each company is operated upon its own merits.

ANNUAL DEPOSIT TABLE

Age	Substantial Expectancy of Life		Actual Net Cost per $1000 at Rates of Interest as Follows; @ 3%	@ 4%	@ 5%	@ 6%	Mythical Net Cost and Charges — Legal Requirements: American Table 3%	Double American 3%	*Premium Charged Annually American Table	*Premium Charged Annually Double American
18	51	years	$ 8.30	$ 6.00	$ 4.25	$ 3.15			$18.44	36.88
19	50	"	8.61	6.30	4.55	3.25			18.81	37.62
20	49	"	8.94	6.59	4.80	3.46	$14.41	$28.82	19.21	38.42
21	48	"	9.30	6.91	5.06	3.68	14.72	29.44	19.62	39.24
22	47	"	9.67	7.23	5.35	3.92	15.04	30.08	20.06	40.12
23	46½	"	9.75	7.35	5.50	4.00	15.38	30.76	20.51	41.02
24	46	"	10.06	7.58	5.65	4.17	15.74	31.48	20.99	41.98
25	45	"	10.46	7.94	5.97	4.43	16.11	32.22	22.49	42.98
26	44	"	10.90	8.33	6.30	4.72	16.51	33.02	22.01	44.02
27	43	"	11.36	8.74	6.66	5.03	16.92	33.84	22.56	45.12
28	42½	"	11.61	9.28	6.72	5.17	17.35	34.70	23.14	46.28
29	42	"	11.84	9.47	7.04	5.36	17.81	35.60	23.74	47.48
30	41	"	12.34	9.63	7.45	5.72	18.28	36.56	24.38	48.76
31	40	"	12.88	10.12	7.88	6.10	18.79	37.58	25.04	50.08
32	39	"	13.44	10.64	8.35	6.50	19.32	38.64	25.75	51.50
33	38½	"	14.30	11.45	8.55	6.70	19.87	39.74	26.50	53.00
34	37½	"	14.50	11.60	9.00	7.00	20.46	40.92	27.28	54.56
35	36½	"	15.00	12.00	9.47	7.46	21.08	42.16	28.11	56.22
36	36	"	15.34	12.39	9.94	7.92	21.74	43.48	28.98	57.96
37	35	"	16.06	13.06	10.54	8.46	22.43	44.86	29.90	59.80
38	34	"	16.82	13.76	11.20	9.06	23.16	26.32	30.88	61.76
39	33	"	17.63	14.52	11.90	9.69	23.94	37.88	31.91	63.82
40	32½	"	18.00	15.00	12.25	10.00	24.75	49.50	33.01	66.02
41	31½	"	18.75	15.50	13.00	10.30	25.62	51.24	34.16	68.32
42	30½	"	19.50	16.00	13.50	11.25	26.54	53.08	35.39	70.78
43	30	"	20.41	17.14	14.33	11.92	27.52	55.04	36.70	73.40
44	29	"	21.47	18.15	15.28	12.81	28.56	57.12	38.08	76.16
45	28	"	22.61	19.24	16.31	13.77	29.67	59.34	39.55	79.10
46	27½	"	23.32	19.50	17.25	14.00	30.84	61.68	41.12	82.24

* If premiums are paid semi-annually add 4%,—if quarterly add 6%.

The first five columns show the "expectancy" and the amount of money required to be paid annually at the given rates of interest to produce the requisite $1,000. The two following columns, the amount of money these companies must hold and accumulate at 3% as a condition of legal solvency, and the last two columns shows the current annual premium the policyholder must pay for each $1,000 insurance. Special attention however is called to the most important fact, *that every dollar of the net premium paid, every dollar of interest allowed to*

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him by law, every dollar of profits earned from whatsoever source and *every dollar in dividends credited to him,* not already consumed in expenses **is used in the payment of his own claim.** These credits honestly applied would show, *that after the policyholder had paid his pro rata share of the death losses of all others that in the end he had* 246% *of the face of his policy standing to his credit,* by which nefarious system, the company who had at all times been receiving, as is above shown, many times actual for the full $1,000 in the end literally *settles with him at 25 cents on the dollar.*

A still more important fact, is that at all times through forfeitures and other sharp practices, the companies have been earning from 18% to 24% on the same item the law purports to allow 3% and in end absorbs even this 3% by using it in payment of the policy holder's own claim at maturity. *The difference between this 3% and say 24% has never in the history of life insurance appeared in any official or home report as such.* Neither has either the living or the dead profited to the extent of one penny therefrom. The sum so unlawfully accrued is forfeited from year to year and from one generation of policyholders to another. It robs Peter but it does not pay Paul—there is no pretense of doing so.

Honest life insurance cannot be obtained except that all assets are represented by individual credits the same as Savings Banks and cost determined by actual death losses instead of theoretic ones, upon honest expenses instead of dishonest ones, and upon actual profits instead of theoretic *and premium charges based upon the actual expectation of life,* instead of *Tables of Mortality bearing on relation to truth.*

The above facts reveal to the policyholders for the first time in the history of life insurance actual net

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cost, in comparison with the present outrageous charges.

To "net cost" there must be added the necessary expense charges which in no event should exceed Savings Banks and Fraternal Societies or say $1.50 per policy annually, in other words the net cost per $1,000 at age 30 at 5% interest is $7.45. To this add for expenses and you have the maximum premium you should pay and the maximum money the Company should receive, in order that each policyholder on an average would have standing to his credit $1,000 at death.

This method precludes the possibility of forfeitures reckless waste of money for expenses and useless accumulation of money.

In contrast with this under the existing system this same policyholder must pay annually for this same $1,000 insurance under the American Table $24.38 or Double American $48.76 under the absurb theory that every policy will remain in force to become a claim in full, say 32 years hence, while the average life of each policy is only 12 years at the maximum. By this latter system, forfeitures exceeding $650,000,000 annually are unaccounted for as profits,—interest and other profits are as completely nullified by crooked bookkeeping as never existing, *legal reserves* covering the entire theft, results in the policyholder and the company in the end breaking even.

To make this entire proposition clear; the companies receive pay for three deaths to where one occurs, taking into consideration policies which lapse, and in the end, those who maintain their policies in full force until death are to all intents and purposes settled with at not to exceed 25% of their equity and forfeitures absorb the remainder.

WHO WOULDN'T EMPLOY AN ACTUARY?

WHO WOULD WANT A LICENSE TO STEAL?

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EXHIBIT II.

AN HONEST ACCOUNTING
$1000, AGE 32; PROFIT 6%

AN HONEST ACCOUNTING, showing what a policyholder **ought to get, in addition to** $1,000, dying in any year after insuring:

The "Terminal Reserve", according to "net premium" reckoning (American Experience Table of Mortality, 3%) is shown in the last column.

This "Terminal Reserve" is to be compared with the "net balance" under an honest accounting for that year. Under existing methods, on death, the widow gets $1000 only. The "Terminal Reserve" is taken by the company. Under an honest accounting the "net balance" is paid as well as the face of the policy.

The difference between $1000 and this "Terminal Reserve" is the "net death loss" to the company, according to their "system". It averages about $580. That is to say, the policyholder, dying after having paid each year the imaginary death losses predicted by the American Experience Table of Mortality, pays over 50% of his own death loss.

By "Honest Accounting" the policy has standing to its credit at the end of 20 years, $714.53, making the value of the policy $1,714.53 (after paying for 20 years actual death losses). "Terminal Reserve" makes its value to the widow, $1000. At the end of 30 years under "Honest Account-

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ing'', the value to the widow is $2415.76. Under the present laws, the value is still $1000. The policy holder has also paid **expenses** each year, averaging $25.98 per policy, or 177% of the ''net death losses''.

This HONEST ACCOUNTING does not take into consideration the enormous profits from forfeitures, surrenders, &c. Its annual ''death loss cost'' is **actual**, being taken from the Modern Woodmen actual experience, which is based on actual policyholders. (See Exhibit I). Profit is reckoned at 6% on the yearly balances, although Old Line companies earn ''profits'' of over 24% on their legal reserve.

One quarter of the premium is allowed for the first year expenses—medical examination, &c. $2 per annum per policy is allowed for each following year. This is excessive. The average for fraternal society expenses is $1.65 only; for the Modern Woodmen for 1915, $1.02 only.

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65.85	$369.97
36.03	$388.87
08.44	$407.73
82.74	$426.31
258.87	$445.70
38.46	$464.68

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MEMO.

The courts refuse all policyholders an accounting, although these are "Mutual" companies, and each policyholder is the **owner** of a share of the "legal reserve" and surplus.

The above "honest accounting" shows that at the end of the fourth year, the interest on the "net balance" standing to the credit of the policy ($4.92)) is larger than the actual death loss cost ($3.94) for that year. At the end of the fifth year, the interest ($6.39) is greater than the expenses and death losses combined ($6.26).

At the end of thirty years, his net balance is $1338.46 (The interest, $75.76, is nearly four times the death loss cost, $19.92) and his widow should get $2338.46, not $1000.

If at the age of 62 he stops payment of premiums; leaves his balance of $1338.46 to accumulate at 6% compound interest till he is 96 years of age—34 years—it will amount to $9705.17.

Under the present "system" he must continue to pay, after 62 years of age, $25.75 per annum for that 34 years in order to get $1000 at death; $25.75 paid annually for 34 years, at 6% compound interest, amounts to $2843.83. This in **addition** to what he had already paid for the first 30 years.

His $25.75 paid annually from 32 to 96 years of age—64 years—amounts, at 6% compound interest, to $20,335.55. He gets $1000. WHAT ELOQUENCE!

NO POLICYHOLDER IS EVER IN DEBT TO THE COMPANY, EVER WAS, OR EVER CAN BE.

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Such an honest, **individual** accounting should be required by law, to be delivered on demand. It is just. It is simple. One $20 a week clerk could keep as many accounts at 25 high-priced clerks, mathematicians and actuaries do now under the present mysterious, complicated, unscientific method of propagating and concealing graft.

Our "net balances", easily computed, should take the place of the complicated system that the actuaries have built up by the aid of "owned" legislatures.

All assets should be represented by "individual credits", not by "legal reserves". If the individual accounts are solvent, the Company is solvent. As no policyholder is ever in debt to the Company, the Company could never be insolvent, if its assets, representing the aggregate of what it owes each policyholder, be carefully invested, just as Savings Banks invest their assets.

Away with "net premiums", "net valuation", "Tables of Mortality", "terminal reserves", "select and ultimate methods", and all abstruse theories and crime-born laws. Call in an undertaker to bury Mercury, the god of thieves, and his cabinet of Captains of Finance and actuaries, and the Superintendent of Insurance, his prime minister. Let us enthrone

COMMON SENSE

as King, with a cabinet of geniuses, i. e. men, both honest and intelligent.

HONEST ACCOUNTING FOR ACTUAL PREMIUMS PAID.

JOHN DOE, aged 40; amount $1000; ordinary life. Annual Premium, $33.01; if paid semi-annually, $34.33; quarterly, $34.99; date of Policy Jan. 2.

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MEMO

We have allowed for expenses ¼ of the first year premium, and $2 per annum thereafter, a sum far too liberal.

Mr. Doe, in the space of 22 years, now aged 62, after paying his share of the actual death losses, has standing to his net credit, $1010.04, which sum at death, should be added to the face of the policy.

This very simple system of accounting shows the exact sum, each year, that should be paid, on death, out of the funds he has himself contributed. The face of his policy should be paid by others, just as he has, each year, paid the death losses of others.

Please note that at age 62, Mr. Doe has credits of premium and interest of $90.11, while his debits of losses and expenses for that year are only $23.87.

Under the present "system", if Mr. Doe should pay premiums for 20 years and then surrender his policy, he would get $387.47 in cash, or a paid-up policy for $575, payable at his death, presumably 15 years hence.

Under an honest system, Mr. Doe would be entitled not only to his own net balance, but his **pro rata** share of **all profits.**

If he ceased paying premiums after 20 years and should let his net balance stand and accumulate at 6% until he died at 85, his policy would have standing to his credit $3,763.06, a tidy sum for Mrs. Doe. This is somewhat better than $575. If he should live to 96, Mrs. Doe would get $7,142.17.

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Under an honest system the longer and the more a man pays the more his widow gets; under the dishonest "system" the more he pays the less she gets proportionately.

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EXHIBIT IV.

AN HONEST ACCOUNTING.

ENDOWMENT POLICIES.

These popular and much-advertised policies are immoral, and should be suppressed by law. They sound very fine and deceive the unwary, but are such flagrant frauds that the companies issuing them should be excluded from the use of the mails.

They are practically "term insurance" with the full value of the policy payable at the end of the term. These terms are from 10 to 30 years, usually 15 or 20 years. The premiums are enormous and the lapses and surrenders are correspondingly great. The average expectancy of life of insured lives is only about 32 years, so that, probably, not 15% of all 30 year endowment policies are paid at maturity. The others lapse, surrender or die, and have paid much more than the ordinary robber "straight life" premiums.

Assume an insured, aged 31, $1000, the annual premiums are as follows:

Straight life	$25.05
10 year term insurance	12.40
10 payment life	57.34
15 payment life	42.73
30 payment life	35.62
10 year endowment	103.67
or $1036.70 paid in 10 years.	
20 year endowment	50.62
or $1012.42 paid in 20 years.	

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30 year endowment 34.39
or $1031.70 paid in 30 years.

(Modern Woodmen Level Assessment for life, 4% $12.96).

The actual average death loss cost is only about $4.05 to say **nothing** of interest which is always so important an item—for long periods, more important than the premium itself.

It will be noticed that the 10 year endowment rate ($103.67) is more than four times the "straight life" rate, more than eight times the "10 year term" rate, and nearly twice the "10 payment life" rate.

EVERYBODY LOSES.

Every policyholder who fails to pay three full premiums forfeits everything. His losses are, therefore, far more than as if he had taken "straight life" or "term" insurance with smaller premiums.

Every policyholder who surrenders his policy during the 10, 20 or 30 year term gets, in "cash surrender value" or in a "paid-up policy", the usual cut-throat, pawnbroker's rates, and **loses** far more than as if he had paid the lower premiums.

With the policyholder who dies, his estate gets $1000 only—no more than as if he had paid the smaller "term" or "straight life" rates. He has paid from four to eight times the usual rates. He lost all through life.

The policyholder who lives to the end of his endowment term gets $1000 only, although he has paid in more than his $1000 without interest, besides the death losses of all who have died, and

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the wicked expenses of these corrupt and corrupting companies. The man who lives gets none of the profits from excessive forfeitures and surrenders arising from the excessive endowment premiums. The company gets them all and he pays for his own endowment.

EVERYBODY LOSES.

And the company makes money on those who die and those who live, without an accounting to those who survive, who get just the same whether their fraters have died or lived. The profits to the companies on the 10,129 endowment policyholders who died in 1914 were not less than $18,627,130.40.

An Honest Accounting on the lines of this Exhibit, age 31, $1000; 10 year endowment policy, premium semi-annual, $107.30; profits 5%; expenses first year, 25% of premium; thereafter $1.50 per annum per policy; actual death loss as per Modern Woodmen experience, would give to the credit of the policy at the end of the endowment term of 10 years, $1306.22, and yet the widow gets $1000 only, and the company gets the $306.22 besides all the forfeitures, semi-forfeitures and other sources of profits.

AND YET the policyholder has paid for his insurance each year, by paying his share of all death losses each year, i. e. the policyholders (not the company) pay for the death losses and pay far more than their own "endowments", while the companies get all the "profits".

EVERYBODY LOSES.

AND YET the endowment is the most popular

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form of insurance entered into by people who are neither idiots, imbeciles, nor morons, but call themselves intelligent.

What fools these mortals be!

\$107.30 paid annually with interest at 6% compounded amounts, in 10 years, to \$1417; at 4½%, \$1321.

The following is such an Honest Accounting under the above conditions. The special value of this table is that it shows the amount of profits to the company **each year** on the death of a policyholder. **It makes a profit on every man that dies.** Endowment insurance is in all respects ordinary death insurance up to the end of the term, i. e. everybody who dies has his insurance paid by the other policyholders. Each year each policy has charged against it the cost of every death, and after paying for the deaths of all those who have died, and after paying all expenses, when their own endowment period terminates they have far more to their credit than the face of their policies, but they get the \$1000 only.

THE COMPANY MAKES A PROFIT ON EVERY MAN WHO DIES.

THE COMPANY MAKES A PROFIT ON EVERY MAN WHO LIVES.

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From the above table, it will be seen that during the first year, the endowment policyholders pay for all the deaths of that year, and all the expenses of that year, and the company takes as profit the $77.12, the "net balance" of that year, on every man who dies.

During the 10th year, the endowment policyholders pay all the death losses and expenses of the year, and the company absorbs $1306.46 as its profits, if he dies before the end of the year.

At the end of the year the endowment policyboob gets, not the $1306.46 standing to the credit of his policy, but $1000 only.

The company makes on every policy whether the man dies or lives.

Besides, the company makes as "profits" all the forfeitures from lapses and the semi-forfeitures from surrenders, which are always heavy because of the higher premiums which are harder burdens to bear. The actual profits on endowment business are far more than 20% and with forfeitures probably 50%.

Endowment insurance is so flagrant a fraud that it should have been suppressed along with tontine policies and deferred dividends.

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EXHIBIT V.

"AN HONEST ACCOUNTING UNDER A DISHONEST SYSTEM"

The Truth about the Life Insurance companies operating in the State of New York; their business, reserves, expenses and profits.

Figures are taken, or deduced from the official reports found in the New York Life Insurance Report of 1915, for the year 1914.

When the figures are taken from the Report direct, the page of the report of the Equitable is given. The other companies can readily be found, as the report blanks are the same for all companies.

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Equitable
Germania
Home
Manhattan
Metropolita
Mutual
New York
Niagara
Postal
Security
United Stat
Aetna
Bankers
Berkshire

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MEMO

Exhibit V, Part I, Cols. 1-5, pertaining to so-called "net death losses", shows the fundamental error of Old Line Life Insurance. The "system" is wrong and no amount of patching can mend the garment. The theory is absurd, and is a growth of years, carefully cultivated and developed by cunning and designing men who have juggled with this "net" theory.

The premium charges are over five times too large (taking into consideration premiums, interest, and net benefits) and yet this "system" makes it appear that the policyholder and the company always break even. To make this appearance, the law, and especially its interpretation by the Superintendent of Insurance, assumes that (1) every policy will become a claim in full; (2) that each year as many of his "mutual" associates will die as the Table indicates and (3) that moneys invested will earn 3% only. All forfeitures and semi-forfeitures are ignored in computing "net premium" and "terminal reserves". Every such assumption is false—knowingly and designedly false; and its result is the stupendous "legal reserve" that should pay the rent of thousands of widows instead of making Finance Committees enormously rich.

"Net death losses" are determined by deducting from "gross death losses" (the sums actually paid to the widows) the so-called "terminal reserves", but these "terminal reserves" conceal all the fraudulent assumptions above set forth. All over-payments, all forfeitures and all of the

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enormous "profits" of the companies are effectually concealed.

The policyholder pays in advance several times over his **pro rata** share of all "gross death losses" occurrng during the year, and "net death losses" serve no purpose except to defraud and to conceal fraud.

To determine the alleged "net death losses" we take the "gross death losses" (Col. 1)

		$180,270,679
and deduct:		
"Terminal reserves" (Col. 2)	$64,917,974	
"Select and ultimate" §97 (b) (Col. 3)	18,740,099	
Falsifications (Col. 4).	7,479,500	91,137,573
So-called "net death losses"		$89,133,106

To determine actual "net death losses" we must resort to "Honest Accounting" Exhibits II and III. By taking age 40, $1000, ordinary life, annual premium, $33.01, we find that after paying a **pro rata** share of actual, not Table-made deaths, and after paying reasonable expenses for 15 years, the policy has standing to its credit $583.32 or 58½% of its face value, and in 22 years $1,010.04 or 101% of its face value. Our policyholder is now 55 years old, which is 10 years less than his expectancy. At this time the actual net death loss will be found to bo the following:

Gross death losses:		$180,270,679
"Individual credits" of those dying, 58½%	$104,917,535	
"Terminal reserves"	64,917,974	

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''Select and Ultimate' (§97) (b)	18,740,099	
Falsification	7,479,500	196,055,108

Actual PROFIT on ''gross death losses''	$15,784,429

instead of $89,133,106 **loss** as shown by Col. 5, and above, or $115,352,705 as shown by official reports (subtract Col. 2 from Col 1).

This ''profit'' on ''death losses'' is only possible by reason of the fact that the widow is paid $1000 only when she should be paid $1,583.22, if the bredwinner died at 55, or $2,010.04 if he died at 62.

In other words, according to the companies' reports, when our 55 year old policyholder died, the company lost $721.60, the difference between the terminal reserve and the face of the policy, or if he died at 62, they lost $574.62.

This is not true. The company did not lose a dollar when that man died; it made a profit of $583, at 55 (Exhibit III) and common honesty would indicate that the widow should be paid $1,583 instead of $1,000. Her husband over-paid $583. This is larceny pure and simple of $583 through trick and device and through concealing the truth and propagating falsehood. It is pure larceny under

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EXHIBIT V.

PART II.—COL. 6-14.

NET DEATH LOSSES: HOW DETERMINED.

ACTUAL RATIO OF EXPENSE TO NET DEATH LOSSES.

These figures relate to the 34 companies doing business in the State of New York.

Gross Death Losses, Ex. V, Col. 1; N. Y. Ins. Rep. 1915		$180,270,679
Money standing to the credit of decedents, taken over by the companies, Col. 2	$64,917,974	
"Select and Ultimate" Col. 3. §97 (b)	18,740,099	
Reserved for "unreported death losses"	7,479,500	91,137,573
Actual "Net Death Losses"		$89,133,106

RATIO OF EXPENSES TO "NET DEATH LOSSES."

The expenses permitted by law are as follows:

"Expense Loading §84, Ex. V, Col. 6.	$123,253,105
"Extra Expense" §97, Ex. V, Col. 7.	3,891,222
"Investment Expense" §97, Ex. V, Col. 8	10,799,891
"Dividends to Stockholders" §97, Ex. V, Col. 9	780,265
First Year "Full Premium", §97 (c)	

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Ex. V, Col. 10	875,081
"Select and Ultimate", §97 (b) Ex. V, Col. 11	18,641,319
Total expenses charged against policy-holders	$158,675,427
Net death losses	$ 89,133,306

or $1775 average to each $1000 net death loss or 18½ times the proportionate expense of the Fraternal Societies, while the expenses of the Old Line companies **should be** less than those of the Fraternal Societies. The difference is found in Honest Laws, Honest Accountings, and Honest Management.

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MEMO.

Exhibit V., Part II shows the expenses charged against policyholders: the wildest extravagance and most corrupt squandering of trust funds. The theory of the "system" is that "net premium" is "mathematically necessary" to pay death losses and that the rest of the gross premiums, "expense loading" so-called, is also necessary to pay expenses. BUT recent laws, in order indirectly and occultly to grant extra expense money, without letting the public know it, have granted certain items of expense **in addition** to "expense loading". It must, therefore, come out of "net premium" which is "mathematically necessary" to pay death losses. In theory, it impairs the solvency of the company; in reality, no company could exist without the vast forfeitures shown in Cols. 28 and 30. Every item in the following statement is taken out of net premium except the first.

"Expense loading" Col. 6, §84	$123,253,105
"Loss on Loadings" (extra expenses allowed to small companies) Col. 7, §84	3,891,222
"Investment expense", Col. 8, §97 (a)	10,869,891
Dividend to stockholders, Col. 1.....	780,265
Full First Year Premiums", Col. 10, §97 (c)	875,080
"Select and ultimate", Col. 11, §97 (b)	18,641,319
Total expense charges, 1914, Col. 12..	$158,310,882
"Net death losses", Col. 5	89,133,106

That is, to say, during the year, 1914, the 34 com-

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panies doing business in the State of New York spent $1775 for every $1000 net death losses paid to widows, being 18½ times as much as the corresponding expenses of the largest Fraternal Societies.

In other words the "mathematical necessity" is 3%, the allowance for expenses is 3½%; therefore the latter invalidates the former, by permitting the companies to invade the "net premiums" declared as "mathematical necessity" by the difference between 3% and 3½%.

For each dollar the "net premium" is invaded from whatsoever cause, it costs the policyholder an equal sum to make good.

There is not one single item involved in life insurance, unless the margin is in favor of the company, ranging from 300% to 1800% and over and against the policyholder.

The last principle of mutuality disappeared 40 years ago.

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Col. 21	Col. 22	Col. 23
Minimum amount that should have been	"Net death losses" See	Net Robbery on death loss settlements

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DATE LOSS RESERVES—HOW DETERMINED.

COL. 15—EXHIBIT V—PART II.

"Legal reserve" is professedly to pay death losses. Unless an adequate reserve is on hand, the company is "legally" insolvent, although it could liquidate and pay all claims in full many times over. How this adequate Legal Reserve is estimated is a query. It takes thousands of figures and scores of actuaries and mathematicians in each company to compute it. It is most complicated nonsense, and it would bore you to try to explain it. However, if you relish a really good joke, we will explain how they get at the "Legal Reserve" needed to meet the death losses of the year (Col. 15). We will again take the New York Life as an "awful example".

All insurance jokes need a chart to explain them. Here is the chart, quoting from the New York Life Insurance Rep. 1915 top p. 188:

"Expected mortality "on net amount at "risk		$23,706,000.00
*** ***		
"Death losses in- "curred during "the year including "the commuted value "of installment death "losses.	$27,929,242.91	
"Deduct terminal re- "serves released "by death of in- "sured	10,694,004.00	
"Actual mortality		

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"on net amount	
"at risk	17,235,238.91
"Gain from mortality	$6,470,761.09"

From "Honest Accounting" shown in Col. 20 the "Gain from Mortality" is $40,103,653.

From the above chart how do you determine the amount of money that must be set aside to pay the death losses in 1914? This is the joke—an uproarious joke:

First, make a pure unadulterated guess—they admit it: guess at "expected mortality" and call it $23,706,000.

To solve the problem, first take the "expected" mortality ($23,706,000); and **multiply** it by the "terminal reserve", $10,694,004; this gives us $253,512,058,824,000 (**253 trillions**); then divide this product by "actual mortality on net amount at risk" $17,235,238.91; this gives a quotient of $14,708,000; now add this quotient to the guessed at $23,706,000 and you get $38,414,000 as the "legal requirement" for death losses for 1914. (This is more exact than Col. 15 ($38,409,000) because we used more figures). Isn't that plain? Isn't it scientific? Don't the learned actuaries earn their money? Isn't our chart a beautiful mud-mirror? Here is the "rule":

First guess at "expected mortality"; then multiply it by "terminal reserves" (what have "terminal reserves got to do with it and why multiply instead of taking the square root of the nth power?); then **divide** the product by the actual death losses (why?); then add this quotient to the guessed-at mortality and you get the **exact** amount necessary to meet the death losses.

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Isn't that a beautiful rule? Refer it to the Actuarial Society of America or of Earth, and see how they will explain it.

But this "mathematical" "legal reserve" is not enough. We must add the "interest required to maintain reserve" (Col. 16); then add "select and ultimate, §97 (b), Col. 17; and we get the "total reserve charges" (Col. 18) $344,730,205.

Passing from the New York Life to the totals for the 34 New York State companies, we find the following stupendous figures:

"Initial Reserve"	$261,405,023
"Interest to maintain reserve"	64,585,083
"Select and Ultimate"	18,470,099
Grand total (Col. 18)	344,730,205
Deduct reserves terminated on account of death loss charges, Col. 19	64,917,974
	$279,812,231

and we have the actual profits by forfeitures, an item which appears in no official report (except $49,461,112 (p. xlix) and which is more than three times the "net death losses" as shown in Col. 5.

Col. 21 shows what should be paid to the widow in 1914 under an honest accounting under a dishonest system. $517,521,384 (Col. 21) instead of $89,133,106 (Col. 22). This 517 millions (less the face of their policies) was accumulated from the policyholders' own money during a series of years of excessive premium paying. This sum is due the policyholders notwithstanding criminal waste in disbursements. In other words, these same

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policyholders had at all times paid their **pro rata** share of the death losses, year after year. It cannot be disputed that the survivors should pay **their** death losses. Therefore the death loss as shown in Col. 1, $180,270,679, less falsification, $7,479,500 (Col. 4) leaves the face value of the policies, $172,791,179.

The items which make up these 517 millions are as follows:

Face of policies	$172,791,179
Preliminary Reserve (Col. 15)	261,405,023
Pro rata "Interest required to maintain reserve" (Col. 16)	64,585,083
"Select and Ultimate" §97 (b)	18,740,099
Total (Col. 21)	$517,821,384

That is, under this honest accounting under a dishonest system, every death claim ever paid, no matter how long ago, can be readjusted on this basis, as well as all future claims, and still the companies be legally and commercially solvent under honest laws. Every policyholder would get out of this vast sum of 517 millions, what was coming to him, except the riotous expenses which have, of course, been spent long since.

Cols. 24-31 show the actual miniumum profits made by these companies during 1914, except Col. 30, which is accounted for in Exhibit VI, amounting to $290,118,342, making the actual profits $818,620,044 which vast sum disappears by false bookkeeping as shown in Exhibit VII.

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EXHIBI

TOTAL EARNINGS OR "PROFITS" AND

C

Col.24n Interest earned as per official reports	Col. 25 Admitted profits on surrender and lapsed policies	Col. 26 "Select and Ultimate 97 (b) Admitted Profit	Col. 27 First year "Full premium"	C Actu fit o lc ch
$ 23,734,855	$ 1,283,694	$ 1,427,136	$ 77,019	$ 2'
2,437,159	205,102	193,192	10,098	
1,426,807	117,223	140,821	6,161	
1,051,985	88,855	144,184	4,636	
22,922,956	3,256,515	1,911,887	216,746	2
27,898,763	1,962,337	1,744,606	40,404	3
35,429,176	2,676,810	2,658,657	207,053	4
61,367	5,683	11,836	924	
514,539	61,313	29,918	1,055	
338,668	51,752	62,412	3,199	
395,286	23,230	21,319	1,207	
5,236,413	275,932	330,675	14,045	
1,256,854	157,464	500,475		
1,012,901	33,857	71,585	3,583	
[illegible]	[illegible]	[illegible]		

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BIT V.—PART IV.
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Cols. 24-31.

Col. 28 Actual "profit on death loss charges"	Col. 29 Total profit earnings exclusive of terminated policies	Col. 30 Profit on policies terminated Exhibit VI	Col. 31 Total profits Col. 29-30 Col. 31
$ 27,112,721	$ 53,635,425	$ 31,736,572	$ 85,371,997
2,474,019	5,319,570	3,606,171	8,925,741
2,016,738	3,707,750	2,489,168	6,196,918
1,336,562	2,626,222		
20,658,332	48,966,436		
31,711,660	63,267,770	39,321,018	102,585,788
40,103,653	81,075,349	37,262,658	118,338,007
176,833	256,643		
969,329	1,576,154		
812,283	1,268,314		
547,415	988,457		
6,159,636	12,016,701	9,752,820	21,769,521
6,915,312	8,830,055		
1,343,815	2,465,741	1,461,987	3,927,728
[illegible]	[illegible]		

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ile the increase in death
gal reserve".

	Col. 38 New reserves created on each $1000 net death losses	Col. 39 New reserves created on each $1000 old reserves terminated average $7,300	Col. 40 Net death losses See Col. 5	Col. 41 "Interest required to maintain reserve" (Averaging 144 % of the net death losses Col. 40
Equit	$ 3,928	$ 4,069	$ 9,412,951	$ 14,802,537
Germ	5,602	4,287	632,582	1,450,845
Home	5,535	6,874	589,391	987,413
Manh	2,168	2,173	541,118	725,027
Metro			4,028,201	15,568,182
Mutu	3,535	3,283	9,931,560	16,812,076
New	5,485	6,104	[illegible]	[illegible]
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MEMO

The above table, Part V, is self-explanatory. It shows how the reserve is maintaining mountains high, so that in 75 years more the insurance companies will have, at present rates of increase, more assets than the assessed valuation of Europe and America combined.

One item alone shows the dishonesty of the "system", Col. 40 shows the "net death losses" each year. Col. 41 shows the innocent looking item, "interest required to maintain reserve" YET this interest item alone is 44% more than enough to pay all net death losses of the year. That 44% goes into "reserve" as does over payments, forfeitures, interest, &c. No wonder the reserves are soaring mountains high and the manipulators of these reserves are buying MORE YACHTS.

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MEMO

If the "premium income" be falsely padded, the "expense loading" is falsely padded in the same amount. This padding, wrongly spent for expenses, must of course, come out of "legal reserve", as "net premium" plus "expense loading" equal "gross premium." The gross premium being a fixed amount paid by the policyholder, false padding of "expense loading" necessarily comes out of "the reserve". This is plain arithmetic.

These falsifications are shown as follows:

(a) "Dividend Credits" - Col. 42 x 46 x 51 x 52 - $50,763,991

This vast sum is called "premium received" although not one dollar of it is cash. "Expense loading" is thus based on mere bookkeeping entries. "Net premium" is theoretically a fixed amount "mathematically necessary" to pay death loss. If, therefore, expenses are padded wrongfully, the padding must necessarily come out of "net premiums" (legal reserve).

The falsification of "Dividend Credits" is wide in its effects:

1. The "premium income" is first padded	$50,763,991
2. Moneys for expenses are thereby padded	50,763,991
3. Incidentally they falsify their falsifications by a mere trifle of so-called "investment expenses"	10,869,891
4. Widely advertised dividend payments are padded	50,763,991
5. Dividends are nullified by the	

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	same amount	50,763,991
6.	Advertised dividends are overstated	50,763,991
7.	"Legal Reserve" is impaired	50,763,991
8.	To make good this impairment, it costs the policyholders	50,763,991

Who Would Want a License to Steal?

(b) "Consideration for supplementary contracts" &c., Cols. 43, 44 and 45; total $5,871,445

Not one dollar of cash was received in these transactions. They stand on the same footing as "dividend credits". They are merely exchanging old policies for new. It pads the "expense loading" and gives the companies more money to squander.

(c) "Surrender values", Cols. 47, 48, 49 and 50, $3,311,445

Not one dollar was received or paid out under these items. It is padding pure and simple. The same reasoning applies as to "Dividend credits".

(d) "Expense charged on premiums not collected" Col. 53, $11,745,446

This item does not appear in the reports. You have to subtract the "total premium income" (p. 179 of New York Life report, $90,467,177) from "gross premiums of the year" (p. 187, $92,190,-926) to get it. It represents a sum not collected, and that part will never be collected, and yet they charge themselves expenses for collecting the uncollected.

It is a clumsy fraud, but, of course, all Superintendents of Insurance are too blind to see any-

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thing wrong in an "official report" that is sworn to.

Heretofore we have dealt with larceny by cunning. This is plain larceny by raw bookkeeping.

Should "Institutions of Beneficence" be conducted by men who are clumsy? They ought to get a

License for Burglary.

The total of these four items is $71,692,610. This vast sum is a wrongful addition to "expense loading" and is taken bodily out of "legal reserve", thus making that "mathematically necessary" sum impaired and the companies legally insolvent. What a boon forfeitures are to conceal these immense defalcations!

Why do they not organize an Life Insurance Company in SING SING?

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SURRENDER VALUES

Columns 45, 46, 47 and 48 aggregating $3,311,728

"Surrender Values" as shown by Exhibit VI which is computed upon an ultra conservative basis and proven so by Exhibits II and III show, in the first instance, that each policyholder, on an average, was defrauded out of not less than $400 on each $1,000 of insurance involved.

After certain of these same policyholders had thus been robbed, on the average of $400 per $1,000, in order to continue other insurance in full force, applied $3,311,728 in payment of premium current, under the most natural supposition that this purported credit, would carry with it the same legal reserve, which stood to the credit of the policies surrendered. This would have been true had honesty prevailed either in the companies themselves or in State Supervision; but unfortunately honesty does not exist in either, at least so far as it relates to "surrender values."

In the first instance this $3,311,728 which is merely a credit,—no cash involved; falsely appears in all official reports as an income under the heading of "first year's premiums" $3,311,728, regardless of the fact that the same money was "first year's premiums" 10, 15 20 or more years previous. Next it is made to appear as a "premium income" and finally it is used to "pad" the "gross premiums of the year" $3,311,728. This is one of the jokers in life insurance,—the larger the "gross premiums" can be made to appear, the larger becomes the expense allowance, that is to say, the larger the expense charge becomes against the policyholder. The law and vile practice, establishes the "net premium" tobe

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set aside as a condition of legal solvency, therefore all sums in excess of the "Net" becomes the **initial** expense charge against policyholders. By the wicked method of accounting as above set forth the companies obtained by false pretenses $3,311,728, and the policyholders involved in the transaction swindled out of $3,311,728 and to cap the climax these identical policyholders are called upon to make good for the second time this vast legal reserve of $3,311,728 which like its original, carries with it an expense charge, equal to not less than $1,775 on each $1,000 net death losses paid. In other words, the same reserve is twice paid for and double $1,775 is added to the expense charge, all by reason of falsification through the falsification blanks furnished by the State Department of Insurance.

Every statement made herein applies with equal force to each and every item contained in this Exhibit, aggregating $67,406,626.

SUPPLEMENTARY CONTRACTS.

Columns 43, $1,585,461

On this item not one penny of cash was either paid or received; consisting of nothing more or less than the exchange of old policies for new ones.

This $1,585,461 represents only a very small proportion of the actual money that which would have stood to the credit of these identical policyholders had honest accounting under honest laws and honest interpretation of such laws prevailed. *In fact this $1,585,461 represents only a part and parcel of the legal reserve standing to the*

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credit of the old policies, under the dishonest provisions of the law itself. *In the exchange he was robbed of a portion of his equity* and *by false pretenses of his entire equity*. He was not only robbed of his equity, but for the second time at a vast additional expense, required to make good a deficit of $1,585,461 by reason of that amount being addded to the expense charge, by the trickery of calling it "first years premium" regardless of the fact that it was "first years premiums" 10, 15, 20 or more years previous to 1914.

Had this $1,585,461 been honestly treated, that is to say, without sharp practices being resorted to, the legal reserve on the new policies would have been fully protected, instead of an unalterable deficit of $1,585,461.

State Supervision simply "winks the other eye" and the crimes not only continue, but enlarges in practically every direction year after year.

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FORFEITURES BY ANNUITANTS OF 1914

Annuities began with the foundation of life insurance, with the intent of providing the maximum income to the aged. Had honest Tables of Mortality, and honest accounting been had, it would today take precedent over all other forms of life insurance protection.

Instead of this, it ranks in its swindling methods with the infamous Tontine policies of the past and Enowment insurance of the present,—the volume of the business is the only difference.

Apart from this the principal data furnished by official reports is given in full, in order to illustrate the methods resorted to in order to befog, mystify and carry out the swindle, so as to deceive every one except the expert. See page 188 N. Y. Ins. Rept.

ANNUITIES.

"Expected disbursements "to annuitants		$1,528,340.00"
"Deduct reserve expected to "be released by death		599,319.00"
"Net expected disbursements "to annuitants		$ 929,021.00"
"Actual annuity claims incurred	$1,518,627.83	
"Deduct reserves released "by death of annuitants	495,684.00	
"Net actual annuity claims incurred		$1,022,943.83"
"Loss from annuities		$ 93,922.83"

Examine this *official statement*, study as you will, and then tell what it means—if you can. It is "Greek" to the common people. It shows a "loss $93,922.83."

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Now let us have the facts, waiving the formula which is set forth in detail in another part of this volume. The legal reserve, (actual money) the New York Life was obliged to set aside for the death losses of annuitants of 1914 was........ $2,268,089

"Deduct reserves released by death of annuitants........ 495,684"

Net forfeitures, being *an actual profit* on annuities 1914........ $1,772,405

These are the concrete facts that no actuary, company or State Department will attempt to disturb, regardless of the fact that their own bogus statement show a loss. of $93,922.83.

Applying the same facts to the Mutual Life and equitable, the three largest companies show the followin g

RESERVES FORFEITED BY ANNUITANTS. NET PROFIT

New York Life	$1,772,405
Mutual	3,005,843
Equitable	1,465,248
Total profits from forfeitures	$6,243,496

PURPORTED LOSS ON ANNUITIES.

New York Life	$ 93,923	
Mutual	148,752	
Equitable	36,152	278,827
False pretenses		$6,522,323

Forfeitures of all kind and description are as fatal to policyholder as excessive expense charges or the invasion of "net premiums" from whatsoever source. Each represent a dead loss to the policyholders of that particular year without the slighest benefit to either the dead or the living.

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EXHIBIT VI.

MINIMUM PROFITS REALI CIES TERMINATED FROM IN 1914—34 COMPA

We know the face value of all policies terminated i Insurance Superintendent found in the New York Life Ins follows:

	Number	Amount
"Deaths	72,011	$ 164,816,821
"Maturity (Endowments)	30,071	57,395,737
"Expiry (Term insurance)	81,501	128,575,779
"Surrender	175,017	362,744,884
"Lapse	255,702	427,675,869
"Decrease	1,235	57,168,519
"Totals	615,537	$1,198,377,609

This profit on "policies terminated" ($290,118,-342) is t

In making these estimates of percentages we have giv and know that this sum is very, very far too low. "Honest that these profits of the companies, from this one source a above indicated.

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: VI.

:ALIZED ON POLI-
ROM ALL CAUSES
MPANIES.

ted in every way from the statement of the
fe Insurance Report, 1915, p. ix. The statement

ount	Estimated Profits	Minimum Profits
6,821	$400 per $1,000 or	$ 65,936,728
5,737	$400 per $1,000 or	22,958,295
'5,779	$ 50 per $1,000 or	6,428,788
4,884	$400 per $1,000 or	145,097,953
'5,869	$100 per $1,000 or	42,767,869
8,519		6,938,709
'7,609		$290,118,342

2) is but a fraction of total profits.

ve given the company the benefit of every doubt,
Honest Accountings" Exhibits II and III show
urce alone, are far in excess of the amount

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EXHIBIT VII

VANISHING PROFITS

The Quintessence of Life Insurance Robbery

As shown by Exhibit V, Col. 31, the minimum profits of the 34 New York companies, in 1914, were the enormous sum of 818 millions, exclusive of forfeitures by failure to pay full three year's premium annuitant's endowments and other high priced policies on which deaths occur during the years of premium paying which by oversight was omitted in Exhibit V nearly a BILLION dollars. What becomes of it? How is it hid from view?

First, how was the vast sum made up? Of course, it had to come from excessive charges and from interest on investments, forfeitures, &c., the only source of "profits." We will show the items:

Interest earned, as per official reports, Col. 25	$212,609.400
Admitted profit on surrender lapse and change, Col. 25 (see p. XLIX, N. Y. Ins. Rep., 1915 (a theft of the legal reserve)	16,549,755
"Select and Ultimate" 97 (b) a profit on "mortality charges" converted into expense and in excess of "expense loading"	18,641,319

Memo. Over $20,000,00 in 1915.

One of the infamous provisions of the laws of 1906, designated by the "fraternity" as "the slickest thing

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Dawson (then on the State's payroll) ever put across." It is only one of the items that placed an additional charge against the policyholders of 1914 of not less than $140,000,000. It enabled the companies to draw out of the death loss fund for expenses on account of new policies issued during the year, regardless of whether the policies remain in force or not, $18,641,319 which is *more than the "gross death losses" the companies will be called upon to pay on these identical policies during the ensuing seven years.*

In addition to this the value of medical examination is conceded to exhaust itself in five years,—hence the cost of medical examination, medical directors and their corps of assistants, their stenographers and all their "flunkies," office space, etc., costing the policyholders over $6,000,000 in 1914, counts for naught as "Select and Ultimate Methods" get all the advantage in expenses while the policyholder must pay in $18,641,319 new money in order to make good the deficit caused by the infamous provisions of these laws, combined by the dishonest practice of falsifying the premiums.

By this invasion of the net premiums the policyholders of 1914 were required to pay in new money to make this

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deficit good $18,641,319 or in other words it cost the policyholders an extra $18,641,319 in cash, to provide a disgraceful expense allowance of $18,-641,319.

Now kindly observe that the total profits on death loss charges as shown by all official reports was $49,461,112. From this deduct $18,641,319 and the actual net saving on death loss charges is reduced to $30,819,793 instead of $49,461,112 as shown by the official reports and instead of the actual net profit of $356,396,314 as shown by expert accounting. See Exhibit V, Part III.

In other words after actuarial crookedness had completed its work, but 8.67% of the actual net profits on death loss charges remained temporarily as an actual profit to the policyholders.

Still regardless of all these facts it is declared that $49,461,112 is a part of the funds out of which dividends may be declared.

Again the "cobra shows its head" because "the greater the dividend the greater the fraud," as all dividends, as proven below, are paid out of the "legal reserve" thus requiring the policyholders to pay in say $49,461,112 to make good the deficit, instead $30,819,793 then remaining.

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Full premiums (grossly underestimated)	873,995
Net profits on death loss reserve charges by forfeitures, Col. 28 Exhibit V	279,812,231
Memo. Actual profits on death loss reserve charges $356,396,314,	
Minimum profit on policies terminated from all causes except death, Col. 30, no part of which appears in any official or Home Office report	290,118,342
Total minimum profit 1914	$818,602,044

Correcting errors, $895,814,126.

What becomes of it?

Where do the profits vanish? The following will tell you.

ITEMS ANNULLING PROFITS

Actual profits on death loss reserve charges	$279,812,231	
Less profits accounted, for see p. XLIX N. Y. Ins. Report	49,461,112	
Memo. Actual profit 7.2 times the amount falsely reported.		
Profits never accounted for as such, Col. 28 Exhibit V		$230,351,119
2. Profits on policies terminated, not one dollar of which appears in any official report, Col. 30 (far below the actual) Exhibit V		290,118,342

Reserves illegally created on uncollected semi-annual and quarterly premiums,—tens of thousands of such policies will lapse and forfeit

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	everything before such reserve would be required under an honest construction of the law see page XXVII New York Ins. Report for 1914. Thereby invading the net premiums and thus requiring the policyholders of 1914 to make good a deficit of an equal amount	$61,312,613
	Loss by fraudulently crediting expense charges on uncollected premiums as above	$15,772,914
3.	"Interest required to maintain reserve" 90% or more of which is found mythical under proper construction of the law, scandalous as it is being nearly one and one-half times the "net death losses"	129,170,185
4.	"Investment expenses," obtained by fraud, taken out of "net premiums" for expenses and used for general falsification	10,869,891
5.	New money required to make good deficit $10,869,894	
6.	Loss on investments, a yearly occurrence (Purely arbitrary) XLIX, N. Y. Ins. Rep., 1915	28,318,653
7.	Loss from miscellaneous sources, ($18,000,000 of which is increase in "special funds" pure falsification to conceal profits)	22,195,322
8.	*Loss* on Select and Ultimate Sec. (b) converted into expenses, thereby causing a deficit in the legal reserve or net premiums	18,641,319

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9. New money required to make this deficit good $18,641,319

10. Loss on dividend credits by being converted into expenses thereby creating of deficit of that amount —involving 15 or more falsifications $50,763,991

11. *Money* required to make this deficit good $50,763,991

12. Dividends under three headings payable in 1915 are conditioned almost in entirety upon the premiums upon which they are based, being paid in 1915. In addition to this about 50% of such dividends will be converted into expense charges, part will be forfeited, part will be paid eventually as as death losses by which process the companies take credit with the same money twice, a part if not the whole will invade the legal reserve thereby requiring the policyholders to make good a deficit in an equal amount. Further, the so called dividends of 1914 were charged against the policyholders of 1914, therefore by including these **conditional dividends,** payable in 1915, against the profits of 1914, the whole transaction becomes doubly fraudulent. In addition to all of this it is a debit in direct conflict with the law governing this institution of beneficence, and the result of crooked bookkeeping in order to defraud policyholders out of an equal sum.................................... **$97,657,669**

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13	Dividend paid to stockholder out of net premiums (see page 34, N. Y. Ins. Report)	1,618,745
14	Money required to make this deficit good $1,618,745	
15	Extra expenses allowed by section 97 of the law out of "net premiums" Exhibit V col. 77	3,891,222
16	Money required to make good deficit $3,891,222	
17.	Loss on supplementary contracts by being converted into expenses thereby creating a deficit of equal amount. Used for numerous falsifications	1,585,461
18.	Money required to make this deficit good $1,585,461	
19.	Loss on surrender lapse and change, being converted into expenses thereby causing a deficit of an equal sum	3,314,782
20.	Money required to make good this deficit $3,314,728	

Memo. No money was either paid or received on the last three items causing deficit, but by falsely calling them "premium income" the companies drew out in actual cash for expenses that much more than the law itself ever contemplated.

21 Expense money abstracted from net premiums by the wicked provisions of Sections 84 and 97 of the law whereby "net premiums" are com-

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puted upon a 3% basis and "expense loading" upon a 3½% basis, an inexcusable swindle.	
While the amount cannot be determined with accuracy by an outside expert it is therefore most conservatively estimated at	$1,000,000
Money required to make good deficit $1,000,000	
Total profits nullified	$966,680,954

The above only includes the principal items used in unlawfully destroying the profits and invading "net premiums" by false and fraudulent debits, by which nefarious methods, widows and orphans are robbed to the extent of such falsifications and High Finance enriched in an equal amount.

In order that the full extent of this particular form of robbery may be fully understood we will again use the New York Life as an illustration by giving the various items used in the falsification and nullification of all profits.

Its share of the $818,602,044 (over $900,000,000 in fact) is (Column 31)	$118,338,007

ITEMS USED TO NULLIFY PROFITS.

Actual profits on death loss reserve charges column 28 Exhibit V	$ 40,103,653	
Less profit shown by official returns page 188 N. Y. Ins. Rept.	6,470,761	
Falsification		**$ 33,632,892**

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Profits on terminated policies, Col. 30	37,262,658
These last two items of profit amounting to $70,895,550 appear in no official report, as such.	
"Interest required to maintain reserve" p. 187	19,460,000
"Investment expense" taken out of net premiums p. 187	1,442,701
Money required to make deficit good $1,442,701	
"Special Fund" increased, p. 189 (a fraud)	6,204,054
Loss on stocks and bonds p. 189 (mythical)	4,272,781
Miscellaneous Losses, p. 189 (also mythical)	334,706
Loss on annuities, p. 189 (absurdly mythical, actual profit $1,772,405)	93,923
"Select and Ultimate" taken out of "net premiums" Section 97 (b) p. 190	2,658,657
Loss on reserves illegally created on uncollected semi-annual and quarterly premiums thereby invading the net premiums or legal reserve and thereby requiring the policyholders of 1914 to make good a deficit of an equal amount $9,331,487.	9,331,487
Loss on uncollected premiums, falsely included as "premium income" by which method it drew out in cash for expenses that much more than was lawful, thereby causing a deficit of that amount	3,110,485

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Surrender values converted into expenses p. 179 N. Y. Ins. Rept.	$ 126,300	
Dividend credits converted into expenses p. 179	6,918,371	
Supplementary contracts converted into expenses p. 179	103,650	7,148,321

On these last three items no cash was either paid to or received by the company, but by being falsely included in "premium income" enabled the company to draw out that much more money for expenses than the law ever contemplated; in other words actual cash was drawn against fictitious credits thereby invading the net premiums to that extent leaving an actual deficit to be made good $7,148,321.

Expense money abstracted from net premiums, by reason of net premiums being based upon 3% and expense loading upon 3½%—a pure unadulterated swindle—estimated conservatively at.. 300,000

Money required to make this deficit good $800,000

The following fictitious liabilities are charged against the profits of 1914 on page 183 N. Y. Ins. Report.

"**Unreported** net death losses" when literally interpreted means $2,500,000 gross death losses, an item of very recent invention ("vintage 1914"),

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to nullify the profit earnings, falsify "gross death losses," and "death losses incurred during the year," three falsifications, the result of one	$1,500,000
Commission, due to agents, two items covered by Loading, Select and Ultimate methods and Full Premiums and therefore not chargeable against profits	67,205
Medical Examiners fees etc., occupying exactly the same position as commission to agents	31,918
Estimated taxes payable 1915 not chargeable against profits of 1914. Further than this, *the taxes paid in* 1914, *were charged against the policyholders of* 1914; therefore by adding the taxes of 1915, *it makes a double tax charge against the policyholder of* 1914 as well as to nullify the profits of 1914 to that extent. In addition to this a large part of such taxes are payable out the the extra expense allowance made for such taxes under Sec. 97 of the law, which will invade he net premium, and thereby require the policyholders of 1915 to make good the deficit.	1,128,354

By this chicanery, they not only nullify every source of profit as completely as though it never existed, but in addition to this they impair the legal reserve, thereby requiring the policyholders for the second time to make good the deficit caused by this criminal method of accounting.

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This is not only a yearly occurrence in order to destroy profits, **but when the profits are once destroyed, be it by either actual or fictititous debits they can never again appear as such profits**—they pass into "legal reserves" "select and ultimate methods," or into forfeitures from one generation of policyholders after another.

Dividends under three headings, payable out of "net premiums". To be forfeited or become expense charge in 1915 or some other remote period, by whatsoever source disposed of, in no event could honestly be used to destroy the profits of 1914. Further than this, these dividends are conditioned upon the payment of the premiums of 1915 and such dividends as are credited in part payment of the premiums of 1915 is at once converted into expense charges. Therefore the whole item is doubly fraudulent.	$18,218,463
Total profits nullified by these false debits	$136,867,119
Total profits for year as above shown	118,338,007
Debits in excess of profits 1914	$ 18,529,112

Then regardless of the fact that the entire profits of 1914 had not only been destroyed by a false and fraudulent system of accounting but in addition thereto had caused a deficit to exist in

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excess thereof, of $18,529,112, yet in face of all of this, the official returns make it appear that the company actually paid in dividends, as a result of net profits	18,634,085
Regardless of the fact that such dividend payment combined with the deficit would increase the deficit to	$37,164,436

This latter deficit either actually existed requiring that sum to be made good or the forfeitures for 1914 were $37,164,085 greater than is shown under our honest system of accounting.

Under the infamous provisions of law each and every company must use the same size "Burglar's Jimmy" as the New York Life, hence each and every company show the same proportionate robbery as the New York Life.

Who wouldn't employ an Actuary?

Who wouldn't have Insurance Laws?

Who wouldn't have a Superintendent?

Who would want a license to steal?

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The investigation of 1906 unearthed frauds amounting to less than $30,000,000 covering a series of years. They merely scratched the surface—were very careful not to get at the real crimes of Life Insurance, while their Reform Laws enriched the companies by more than $70,000,000 and increased the expense by more than $35,000,000 every year. Exhibit V shows that the real profits of the companies each year are more than $818,000,000 (Col. 31) which is cleverly covered up and kept from the policyholders. This fraud is a continuous performance and is ever increasing. This amounts to $2,250,000 every day. Every two weeks the companies defraud their policyholders out of as much as the so-called Investigating Committee discovered in years of deceit.

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DIVIDENDS

THE MORE PAID, THE GREATER THE FRAUD.

Dividends, of whatsoever nature, be they cash or credits on account of current premiums, can only be the result of excess charges and net profit earnings.

"Net profits" is the sum remaining after all losses and liabilities be *they actual or mythical*, have first been deducted from the "gross." If these losses and liabilities equal or exceed the gross earnings, no fund remains out of which dividends of any description can be legitimately made. *This proposition is self-evident.*

In life insurance, however, facts are cast to the winds. The last penny of profits, be they legitimate or illegitimate, are first as completely nullified and destroyed by mythical debits, founded upon actuarial cunning, as though they never existed, and in turn, dividends are declared in vast amounts in the aggregate, only to be as completely nullified at the next step, as though such dividends were never declared. In other words, life insurance has succeeded in "building two hills without a valley."

By reference to "Exhibit V," Part 4, "*Honest Account-under a dishonest system*" it will be seen that the net profits of these companies for 1914 amounted to $818,602,044, without taking into account the actual profits from forfeitures under Annuities, Endowments elsewhere accounted for, and other high priced policies on which death occurred during the years of premium paying.

Life insurance companies make no pretense of accounting for forfeitures, regardless of the fact that they are nearly three times as great as the profits from all other sources combined.

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Forfeitures and the profits derived therefrom are as completely hidden from the policyholder and of no greater value to them, than though these profits never existed. Every dollar of these forfeitures is thrown into "net premiums" which is declared a "mathematical necessity" instead of a "mathematical" humbug.

Every other source of profits, interest, rentals, etc. is as completely nullified by false and fraudulent debits as though they never existed. Yet, in face of all these facts, the official reports make it appear that these companies distributed in dividends during 1914, $104,-128,002, regardless of the fact that every penny of the fund from which such dividends could have been legally declared, had previously been completely destroyed by false and fraudulent debits.

Life insurance companies have no difficulty in getting out of a small matter of $104,128,002 in fictitious dividends.

The process is as simple as it is disingenuous. In the first instance, every dollar of these so-called dividends used as a credit in the payment of current premiums, re-regardless of it *being a credit* for *an equal disbursement*. is designated in all official reports as a "premium income" notwithstanding that not one dollar in money exchanged hands. By this infamous procedure, these dividend credits are used to "pad" the "gross premiums of the year." The greater these "gross premiums" are made to appear, the greater becomes the expense allowance. In other words, the law fixes the "net premiums" a company must hold as a condition of legal solvency. Therefore every dollar added to this "net" becomes the INITIAL EXPENSE CHARGE AGAINST THE POLICYHOLDER. In other words, these dividend credits as shown by Exhibit V, part 6, amounting to

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$50,763,991, by being included in the "gross" premiums of the year," enabled the companies to draw out in cash, against an item not having the substance of "hot air" $50,763,991, more than would have been possible had these credits been honestly treated. This money drawn out in cash for expenses necessarily came out of "net premiums," as all profits of whatsoever nature had previously been destroyed by false debits. This matter by no manner of means stops at this point. These dividend credits, if honestly applied, would be equivalent to actual cash. If honestly applied, they would not appear as a part of the "gross premiums of the year," and consequently would not be converted into expenses in their entirety, or the smallest fraction thereof.

The whole net premium theory is a humbug, for the reason that after fixing the "net premium" or legal reserve, both meaning the same thing, necessary to be held as a condition of legal solvency under Section 84 of the law, but up "bobs" Section 97 of the law specifically authorizing the invasion of this legal reserve. In other words the former section declares it a necessity, the latter declares the opposite, by allowing *companies to invade the legal reserve or net premiums tens of million of dollars annually for expenses.*

The law, wicked as it is, simply commits "petty larceny" through its blunders.

The "highway robbery" is accomplished by actuarial legerdemain, in the matter of dividends as follows: During the year 1914, these 34 companies purport to have distributed among their policyholders the vast sum of $104,128,002 of which $53,364,001 was paid in cash and $50,763,991 as dividend credits in the payment of current premiums, regardless of the fact that not one penny of the total profits of the year, amounting to

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nearly $900,000,000 was left, (after the actuarial juggling had completed its work) out of which dividends could be legally paid. In other words this say, $900,000,000 of profits was as completely nullified by false and fraudulent entries as though it never existed.

A small matter of wiping from existence $900,000,000 in actual profits and thus leaving the companies with no surplus, was not permitted to stand in the way of actuaries in making further deception.

Wholly regardless of the fact that every source of profits, from which dividends could be legally paid, had previously been destroyed, the companies paid or credited policyholders 1914 with $104,128,002. In order to do so, not only in direct conflict with law, but in order to do so they not only impaired the legal reserve $104,128,002, but on the contrary it required the policyholders for the second time and at a vast expense in addition, to "go down in their jeanes" and make good a deficit caused by these illegal dividends,—that is to say, *such dividends were paid out of the principal.*

By this hokus-pokus process they not only nullify and destroy this $104,128,002 dividends as completely as though it never existed *but they doubly destroy it* by requiring the policyholder to pay in $104,128,002 in new money in order that the companies comply with the conditions of legal solvency, as will be explained.

In the first place, *by false debits they destroy the funds from which dividends may be declared and follow by destroying the value of the dividends themselves twice over.*

The novice will say, "even if all this is true, there can be no deception in *dividends paid in cash.*" Wrong, wholly wrong. Every dollar of profit available for dividends be it cash or credits, as before stated and

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proven by "vanishing profits" of which this is a part, was as completely nullified as though they never existed, consequently every dollar of dividends paid in cash, created a deficit in "net premiums" equal to the sum so paid.

In order to make this dividend swindle perfectly clear to the ordinary policyholder we give the following:

The dividend allotment for 1914 was $104,128,002.

First. Of this there was paid in cash $53,364,011

As the surplus from which this dividend could have been paid had been completely destroyed by false entries, this sum was paid out of the net premiums or legal reserve, declared a "mathematical necessity." This having been done, it required the policyholders at great additional expense to pay in and accumulate for their account $53,364,011 more money in order to make good the money illegally abstracted for the purpose of paying such cash dividends. By this process these cash dividends were not only nullified, but the policyholder taxed for expenses at the rate of not less than $1,775 on each $1,000 on net death losses paid in the process of making good this impairment.

EXHIBIT V. COL. 42

Second. "Dividends applied to purchase paid-up additions and annuities" falsely called "first years premiums" but converted into an extra expense charge by such falsification, thereby not only nullifying the dividend itself but in addition

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requiring the policyholders to contribute an equal sum in order to make good the "net premium" deficit together with its attendant expense. This deficit requires the policyholder to pay in new money in order to make good..................$ 10,435,072

EXHIBIT V. COL. 44

Third. "Dividends applied to pay renewals," a credit on which no cash was either paid or received, a bookkeeping entry, by which it is falsely made to appear as equivalent cash, but in reality this purported payment, by actuarial chicanery, is made to appear as a part of the "gross premiums of the year." By this system of "padding" the gross premiums, the companies withdrew from the treasury that much more for expenses than the law itself authorized, thereby not only nullifying in dividends so purported to have been credited, but causing actual deficit in the legal reserve, which these same policyholders are required to make good, together with its attendant expense..$ 39,577,769

EXHIBIT V. COL. 49

Fourth. "Dividends applied to shorten endowments" an item on which no cash was paid or received, but falsely included in "gross premiums of the year" by which falsification, it became an unalter-

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able expense charge against the policyholder, thereby requiring the legal reserve be made good for the second time at the vast attendant expense..........................	$736,040

EXHIBIT V. COL. 50

Fifth. Dividends to pay "first premiums" occupying exactly the same position as item Fourth....................................$	15,110
Total.......$	104,128,002

Having shown that all dividends declared during 1914 were not only false and fraudulent and that in fact, they were nullified twice over, let us see to what further uses these so-called dividends were applied in other directions, using the figures of the New York Life:

First. Dividends used to "pad" death loss payments, thereby taking credit with the same money twice, first as dividends, second as death losses. (See page 180 N. Y. Ins. Rept.)..................$	$890,090
Second. Dividends used to "pad" Endowment payments thereby taking credit with the same money twice, first as a dividend, second to falsify amount paid for endowments. (See page 180)..................	$ 22,541
Third. Dividends used to "pad" amount paid to annuitant an amount wholly unknown to the expert, as it is included in the one bulk sum and not otherwise accounted for.	
Fourth. Dividends forfeited through lapse surrender and change (See page 185)	$1,438,540

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Yet in face of all these official figures these companies go before the world advertising the vast dividends they are paying, knowing full well that every word they say in relation thereto is absolutely false and that the effect of these purported dividends, as above set forth, is absolutely true.

WHO WOULD'NT EMPLOY AN ACTUARY?

WHO WOULD WANT A LICENSE TO STEAL?

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EXHIBIT VIII.

THE POSTAL LIFE INSURANCE COMPANY GIVES EVIDENCE OF THE

INSURANCE MONOPOLY;
INSURANCE COST WITH AGENTS;
INSURANCE COST WITHOUT AGENTS;
NEW YORK, THE CLOVER-FIELD OF GRAND LARCENY INSURANCE.

The Postal Life Insurance Company, which employs no agents, but gets business through advertisements only, using the Post Office as a soliciting and collecting agency, boasts as follows (1915):

(NEW YORK INSURANCE MONOPOLY)

"The Postal Life came into being a decade ago "while a great insurance agitation was at white "heat. Other new companies, six in number, "were launched in New York about that time, but "when the proposed new measures RESULTING "FROM THE HUGHES INVESTIGATION were "enacted into law, they began to fall by the way-"side; **not one** has reached its tenth mile-post. "During this period over two hundred new com-"panies were organized throughout the United "States, **but not one of these** has come into the "State of New York to do business. Three old "companies have gone completely out of business "and nine old companies withdrew from New "York and have not returned. * * *

(RAPID INCREASE OF "LEGAL RESERVE")

"During the year in which the Postal was or-"ganized, it placed upon its books only $342,000

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''of life-insurance: it thus had, like many other ''enduring institutions, a small start; but through ''its direct methods of gaining policyholders, and ''through re-insurance of other companies, its ''business has grown in the ten years to ''$44,229,739, (12,900%), its assets to $9,659,-''049.56, the number of its insured to 23,449.''

The advertisement then speaks of the Old Companies taken over by the Postal (including that prince of swindles, the Mutual Reserve), attributing their failure to excessive cost of the agency system.

(COST OF AGENCIES)

(p. 7) ''That method which eliminates agency-''expense, is responsible for the success of the ''Postal both in re-insurance and in getting new ''business. * * *

(p. 10) ''During the past ten years, in response ''to the company's printed announcements in ''leading periodicals, more than 120,000 people ''have voluntarily written about protection; the ''paid-for insurance secured amounting to ''$14,199,284, and the business may truly be said ''to have only just begun. The amount spent for ''advertising has been about $130,000, making the ''insurance cost less than $10 a thousand, whereas ''it costs an agency company for commissions ''alone, fully $60 a thousand; it contracts to pay ''agents 180% of an annual premium.

(p. 13) ''Whether you call or write, you make ''a guaranteed saving corresponding to the ''agent's commission the first year, less the mod-''erate advertising charge. The first-year com-''mission ranges up to 40% of the Premium on ''Whole-Life policies.

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"In subsequent years you save the Renewal "Commission other companies pay their agents, "namely 7½%, and you also receive an Office-"Expense Savings of 2%, making up the annual "dividend of 9½% guaranteed in the policy.

(p. 20) "There are about 260 other legal-"reserve companies in the country, some are very "large, some very small, but all of them except "the Postal Life operate through agents, **which "makes protection too expensive.** * *

"The figures are impressive when it is known "that an agency company contracts to pay as be-"fore stated **180% of an annual premium,** or "about $60 per thousand for commissions to se-"cure business, which of course, includes the first-"year commission to agents of 40% to 50% of a "premium and the renewal commission in sub-"sequent years of 7½% each year.

(p. 30) "Neither the New York Life, the "Equitable nor the Mutual Life does business in "Texas because they will not submit to the exac-"tions of that State; several of the big ones have "also withdrawn from Wisconsin for the same "reason, while the Metropolitan Life, big and "solid as it is, does no business in ten States. The "Postal does not do business in any State except "New York, yet it receives business from all of "them. It may be necessary to submit to exac-"tions in order actually to do business in a State, "but no license is necessary to **receive** business "from one, because any citizen of any State has "the constitutional right to buy in the best mar-"ket, by mail or otherwise."

One circular says: "The Postal Life Insurance "Company with more than $50,000,000 of insur-

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"ance in force and with assets exceeding $10,-
"000,000, now occupies a distinctive position in
"the insurance world." No, not distinctive, except that it is a little bit more mendacious than the others. That 10 millions at 5% compound interest would amount to more than 50 millions in 33 years, and at 6%, in 28 years: while not 10 millions of that 50 will ever become claims. The average "expectancy" of the lives of its policyholders is 32 years, and, in so young a company, the average period of premium paying will not exceed 7 years.

An examination of Postal Life premiums shows that, at the age of 30, they are $2.19 per month or $26.28 per $1000 per annum. Deducting 9% ($2.50) from this, we have a "net" premium of $23.78. But the ordinary premium of the ordinary Old Line robbers is only $22.85. Where do the policyholders come in on these alleged economies? With premiums from 28% to 31% higher than ordinary Old Line companies, it can well afford to rebate 9%.

"What fools these mortals be."

The fact is that the Postal was let live only because it was very small, and took over certain, old, rotten companies that the Department wanted to get off its hands. Only 35 out of 264 companies operating in the United States do business in the State of New York. These favored companies comply with §97 of the law which provides that no company is permitted to operate in New York unless it steals on the grand larceny scale of the most favored New York companies.

To operate in New York State is a badge of turpitude.

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EXHIBIT IX.

INCREASE IN PREMIUM RATES FROM 1883 TO 1907 AND TO DATE.

RATES PER $1000 POLICY
ORDINARY LIFE POLICIES

Age	1883	1907	Increase	Increase Percentage
25	$16.91	$21.49	$ 4.58	27.6%
35	22.42	28.11	5.69	26.3%
45	32.27	39.55	7.28	22.2%
55	50.92	60.72	9.80	19.2%
	20 ANNUAL PAYMENTS			
25	21.88	31.83	9.95	40.9%
35	25.32	38.34	13.02	51 %
45	33.60	48.52	14.90	44 %
55	48.24	66.69	18.45	38 %
	15 ANNUAL PAYMENTS			
25	25.80	38.35	12.55	50 %
35	30.82	45.91	15.09	50 %
45	38.04	57.16	19.12	50 %
55	54.12	75.66	21.54	40 %
	10 ANNUAL PAYMENTS			
25	35.96	51.67	17.77	50 %
35	40.64	61.53	20.89	50 %
45	50.76	75.57	24.81	50 %
55	68.12	96.66	28.54	50 %

All other ages carry the same proportionate increase

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The last **increase** in rates took effect the very day that the "reform" laws, recommended by the Hughes "investigation" of 1906, took effect. These laws permitted "the 3% basis" but did not prohibit an increase of rates. That is, this reform benefitted the companies to the extent of billions at the expense of the policyholders.

Who wouldn't be investigated?

Scandals are profitable.

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EXHIBIT X

BANKRUPTCY "UNDER THE LAW"

"EXPENSE MONEY" INCREASED BY DIVIDENDS

PREMIUMS FIVE TIMES TOO HIGH MONOPOLY FROM OLD AGE

Section 97 would soon make any new company bankrupt under the dominant theory of insurance based on "net premium". This section creates an enormous expense fund which would bankrupt all companies, old or new, if their profits from forfeitures were not so enormous. Only old companies that have already piled up **millions** filched from widows long dead, can now pile up **millions** filched from widows still living. The present monopoly is supreme.

To illustrate this, let us assume that a new company is started with 100 members, all of the age of 31 years, each insured for $1000, and each paying the regular premium of $25.05 per annum. We will assume that it has no death losses whatever, but spends the usual "modest" amounts for expenses and pays the usual dividend which is about 18% of the premium; at the end of 10 years, the company would be "legally" bankrupt (indeed, it would be bankrupt at the end of the first year, and during each year thereafter) as indicated by the following demonstration:

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The company would receive in total premiums the following:

$25.05 x 100 x 10 — $25,050.

Against this is to be charged the following:

FOR EXPENSES:

"Expense loading" $6.26 x 100 x 10 - (§97 (a)) — $6,260

"Select and ultimate" $10.24 x 100 (§97 (b)) — 1,024

"Investment expense" .13 x 100 x 10 - — 130

— $7,414

FOR DIVIDENDS

Dividends 18%: $4.509 x 100 x 9 - — 4,058.10

— 11,472.10

— $13,577.90

Add interest on balances, 3% — 2,144.07

— $15,721.97

NET PREMIUMS AND INTEREST

"Net premium" $18.79 x 100 x 100 - $$18,790 with "interest to maintain reserve" 3% — 22,190.99

Subtracting — 15,721.97

We have a deficit of — $ 6,469.02

This company is not "legally" solvent under the "system," unless it has on hand the full sum of $22,190.99, and yet it has a deficit of $6,469.02,

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although it has paid no death loss.

"Net premiums" are "a mathematical necessity" and yet they are impaired at all times during these 10 years.

If our new company had declared no dividend, ($4,058.10) it would still have a deficit of over $2500, by merely spending the amounts provided for expenses by law.

What would it do if some one of the 100 members had died? Their "legalized" minimum Table of Mortality kills off over nine people out of 100 during the 10 years from 31 to 41 years of age. This would give $9000 more deficit.

This demonstration shows that, in taking dividends out of the full net premiums, the premiums are really reduced by 18%, which would leave the company "insolvent"; and the illustration also demonstrates that the basing of "expense loadings" not only on the full premium paid in but on the dividends as well—dividends not generally paid in cash but credited on policies—is an unlawful pretext for getting much more expense money, which, of course, has to be looked after by every possible device in order to obtain $1775 for expenses to every $1000 of net death losses paid to the widows.

The outstanding risks of the new company are $100,000; the "expectancy of life" of each of our 100 members, now 41 years of age, is 28 years; the amount of cash on hand in our new company (after paying dividends assumed to have been paid in cash) is $15,771.97. This sum at 5% compound interest for 28 years would amount to $61,630.12; $25.05 paid annually with 5% interest

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amounts, in 28 years, to $153,606.60; making a total of $215,236.72, to pay $100,000 on the supposition that all of our 100 members live for 38 years, and none of them lapse or surrender; while as a matter of fact only 11 of them will ever die and their widows get the full $1000.

We thus see that in the peculiarly favorable circumstances of this new company, it is commercially solvent, and could liquidate and pay all claims in full, and have left a substantial balance in the treasury, yet the Superintendent of Insurance would declare it insolvent under the law and put it into the hands of a receiver.

Old companies survive under such scandalous expenses because they have such enormous "profits" from forfeitures, and have heretofore piled up such enormous reserves bearing interest. A new company would be swamped by such extravagance.

Monopoly is secure. No interlopers need apply.

All of which above demonstration proves that present premiums are about five times too high, and that our present laws are

LICENSES TO STEAL

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EXHIBIT XI.

NEW YORK LIFE IN LIQUIDATION

WITH POLICYHOLDER OF 1914.

Having previously conclusively proven that the present system of insurance, carrying as it does, margins in favor of the companies and against the policyholder at each and every standpoint, varying from 300% to 1800% and over, we submit the following itemized statement, showing the minimum sum the New York Life would possess by using its present assets, present *cash* income and paying all claims in full at maturity. In making up this statement, as will be seen, the company is given the benefit of every doubt.

We start with grossly underestimated assets, and grossly understated interest income, we have reduced the annual "premium income" claimed by the company in order that we may deal exclusively with cash, $8,872,070 and thereby reveal the truth. We have taken the cash disbursements from the official reports, again giving the company the benefit of all doubt, yet with all this charity on our part, we find that when the claim of the last policyholder of 1914 had been paid in full, that the company would still possess not less than $2,204,142,409.00 which sum represents the net robbery of widows and orphans and other beneficiaries.

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MINIMUM RESOURCES

Admitted Assets December 31, 1914 N. Y. Ins. Rept. page 182..........

Purported premium income 1914, see page 186 N. Y. Ins. Report 1915.......... $92,190,9

From which deduct the following falsifications, as shown in Exhibit VII on which no cash was either paid or received, by which means expenses were increased to the extent of such falsification to wit: "*Dividend credits*" by which expenses were *unlawfully* increased and *purported dividends nullified*....... $6,918,371

Surrender values, an item occupying exactly the same position as purported dividends.......... 126,300

"*Supplementary contracts*" which is nothing more or less than issuing new policies for old ones by which means the whole becomes an ex-

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EXHIBIT XI

...Life in liquidation with its present (1914) policy holders

... $ 814,872,836

...90,927

MAXIMUM DISBURSEMENTS

THE LAST POLIC...

"Death losses" paid in cash 1914 by... including therein "Dividend Ad... $890,390" by which distortio... falsify both death losses and di... thereby taking credit with th... money twice............

"Endowments" paid in cash 1914 b... including therein "Dividend Ad... $22,541 endowments paid, by... distortion they falsify both endo... and dividends thereby taking... with the same money twice............

"Annuities" " " " " ....

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REQUIRED TO PAY THE CLAIM OF
:Y IN FULL.

falsely litions" n they ridends, e same	1 YEAR	12 YEAR
....	$26,230,268	$314,763,219
y falsely litions" which wments credit		
....	10,101,694	121,220,328
....	1,507,870	18,094,440

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EXHIBIT XII.

§'s 84 AND 97 OF THE INSURANCE LAW.

§84. Valuation of policies: The superintendent of insurance shall annually **make valuations** of all outstanding policies, additions thereto, unpaid dividends, and all other obligations of every life insurance corporation doing business in this state. All valuations made by him or by his authority shall be made upon the **net premium basis.** The legal minimum standard for contracts issued before the first day of January, nineteen hundred and one, shall be the actuaries' or combined experience table of mortality with interest at four per centum per annum, and for contracts issued on or after said day shall be the American experience table of mortality with interest at three and one-half per centum per annum; provided that the legal minimum valuation of all contracts issued on or after the first day of January, nineteen hundred and seven, shall be in accordance with **the select and ultimate method,** and on the basis that the rate of mortality during the first five years after the issuance of said contracts respectively shall be calculated according to the following percentages of the rates shown by the American experience table of mortality, to wit: First insurance year fifty per centum thereof, second insurance year sixty-five per centum thereof, third insurance year seventy-five per centum thereof, fourth insurance year eighty-five per centum thereof, and fifth insurance year ninety-five per centum thereof. The superintend-

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ent may **vary** the standards of interest and mortality in the case of corporations from foreign countries as to contracts issued by such corporations in other countries than the United States; and in particular cases of invalid lives and other hazards, and value policies in groups, use approximate averages for fractions of a year and otherwise; and accept the valuation of the department of insurance of any other state or country if made upon the basis and according to the standards herein required in place of the valuation herein required. No policy issued after the thirty-first day of December, nineteen hundred and six, shall be valued as term insurance unless premiums are based upon net term rates; and no policy with level premiums issued after said date shall be valued as term insurance for the first policy year. The legal minimum standard for the valuation of annuities issued after January first, nineteen hundred and seven, shall be McClintock's "Tables of Mortality Among Annuitants" with interest at three and one-half per centum per annum, but annuities deferred ten or more years and written in connection with life or term insurances shall be valued on the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half per centum per annum. The legal minimum standard for the valuation of industrial policies issued after the first day of January, nineteen hundred and seven, shall be the American experience table of mortality with interest at three and one-half per centum per annum, provided, that **any life insurance corporation may voluntarily value its industrial policies** written on

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the weekly premium payment plan according to the standard industrial mortality table or the substandard industrial mortality table. Any life insurance corporation may voluntarily value its policies, or any class thereof, according to the American experience table of mortality, or if industrial, at its option, according to the standard industrial mortality table or substandard industrial mortality table, at a lower rate of interest than that above prescribed, **but not lower than three per centum per annum, and with or without reference to the select and ultimate method of valuation,** and in every such case shall report the standards used by it in making the same to the superintendent of insurance in its annual statement, provided that no such standards, if adopted, shall be abandoned without the consent of the superintendent of insurance first obtained in writing.

§97. Limitation of expenses. No domestic life insurance corporation shall in any calendar year, after the year nineteen hundred and six, expend or become liable for, including any and all amounts which any person, firm or corporation is permitted to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examinations and inspections of proposed risks, and (4) for advances to agents, a total amount exceeding in the aggregate (a) the **loadings** upon the premiums for the first year of insurance received in said

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calendar year (calculated on the basis of the American experience table of mortality with interest at the rate of three and one-half per centum per annum) and (b) the present values of the **assumed mortality gains for the first five years** of insurance on policies in force at the end of said calendar year on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by **the select and ultimate method of valuation** as provided in section eighty-four of this chapter; and (c) on policies issued and terminated in said calendar year the full gross premiums received, less the net cost of insurance for the time the insurance was in force, computed by the American experience select and ultimate table, three and one-half per centum. No such corporation shall make or incur any expense or permit any expense to be made or incurred upon its behalf or under any agreement with it, except **actual investment expenses** (not exceeding one-fourth of one per centum of the mean invested assets) and also except taxes on real estate and other outlays exclusively in connection with real estate, in excess of the aggregate amount of the actual loadings upon premiums received in said year calculated according to the standards **adopted by the company** under section eighty-four of this chapter, and the present values of the assumed mortality gains hereinbefore mentioned. Provided, however, that any such corporation having less than eighty millions of insurance in force, may incur a total expenditure exceeding the limits of expenditure as herein defined by an amount not greater than the following percentages of its loadings for the preceding

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calendar year, to wit: Having at the end of such year less than ten millions, forty per centum; having thirty but less than forty millions, thirty per centum; having forty but less than fifty millions, twenty-five per centum; having fifty but less than sixty millions, twenty per centum; having sixty but less than seventy millions, fifteen per centum; having seventy but less than seventy-five millions, ten per centum; having seventy-five but less than eighty millions, five per centum. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. Except as herinafter provided all bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited. Nothing herein contained is to be construed as prohibiting the institution of contests or competitions among agents, and the recognition of success in such competitions by the awarding of ribbon decorations, medals, pins, buttons or other tokens of small intrinsic value, given not as compensation but as a bona fide recognition of merit. No such corporation shall pay commissions upon renewal premiums received upon policies issued after the year nineteen hundred and six, in excess of five per centum of the premium annually for fourteen

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years after the first year of insurance in the case of endowment policies providing for less than twenty annual premiums, nor in excess of seven and one-half per centum of the premium annually for the first nine years after the first year of insurance and five per centum of the premium annually for the next ensuing five years in the case of other forms of policies; provided that an amount found to be equivalent to the aggregate amount so payable by a calculation approved by the superintendent of insurance and based upon mortality, interest and lapse rates, may be distributed through three or more years, or through a period exceeding fourteen years, but not more than two-fifths of such amount shall be payable for any one year; provided further that in any agency district subject to the supervision of a local salaries representative the renewal commission payable to agents of such district shall not exceed two-thirds of the foregoing rates annually for fourteen years, subject to the calculation as aforesaid; provided further that any such corporation may condition the allowance or payment in whole or in part of any of the renewal commissions allowed to be paid as aforesaid upon the efficiency of service of the agent receiving the same or upon the amount and quality of the business renewed under his supervision; and also provided that a fee not exceeding three per centum may be paid for the collection of premiums which shall be received for any year after the fifteenth year of insurance. If any such corporation shall compensate its agents, or any of them, after the first insurance year, in whole or in part, upon any other plan than commissions and collection fees, the aggre-

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gate sum so paid shall in no year exceed the limitations herein imposed and the schedule and plan of such compensation shall be submitted to and approved by the superintendent of insurance. No such corporation, nor any person, firm or corporation, on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance. **A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the state.** Any stock corporation which has heretofore issued and represented itself as issuing non-participating policies exclusively, and which has changed and become a mutual company, or become a company issuing and representing itself as issuing participating policies exclusively, or any such stock corporation which may hereafter change and become a mutual company, or become a company issuing and representing itself as issuing participating policies exclusively, may incur a total expenditure exceeding the limits of expenditure herein defined by an amount not greater than the excess of twenty-five per centum of the net premiums actually collected on business issued prior to the date of such change over the loadings on such premiums. This section

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shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing nonparticipating policies exclusively.

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LIFE INSURANCE

THE SWINDLE OF SWINDLES

How Our Laws Rob Our Own People of Billions

BY

PHILANDER BANISTER ARMSTRONG

NEW YORK

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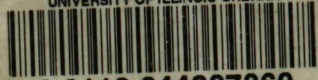
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