

THE ESSENTIALS OF LIFE INSURANCE ADMINISTRATION

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Thirty-three years ago some seventy American life insurance companies existed in the State of New York, and within seven years thereafter about one-half of that number had disappeared. Had not the troubles of 1873-79 brought all enterprises, old and new, into severe stress, it is still highly probable that most of these companies would have failed; for many more companies were started in 1860-70 than were needed, and they lacked the great essential, proper management. We may safely make the broad declaration that while such management is not entirely certain to establish a new company, in any branch of insurance success is impossible without it; indeed, in cases where the new company maintains itself the amount and quality of the growth attained may be taken as the test of management. For example, there are several life companies which date back to the middle of the century, and yet, compared with some others that are younger, may be said to have accomplished nothing.

How essential proper management is may be strikingly shown by a brief reference to the crudity of the early ideas about the insurance of lives. Half a century ago, before the beginning of state supervision, the official reports made in New York by the few companies then in the field actually included in "liabilities" the face value of all policies in force. A sum of money which may become subject to demand some months or years hence, or may never become such, is manifestly not a liability for its face to-day; so this method of figuring not only produced a sort of balance sheet which did not balance but made every company insolvent, liabilities appearing in some cases to be ten times the assets. Whether the state comptroller required this form of statement, or the companies knew no better than to make it, or the importance of correct and luminous informa-

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tion was not appreciated, we need not concern ourselves now to inquire. The last supposition, however, is the most probable; for the total outstanding insurance, in 1854, in the ten companies was not quite \$85,000,000, an amount less than is annually written now by each of a half-dozen companies; and, since we know that the dignity of life insurance and its destined position in human affairs had not then been even dreamed of, it may easily have been thought sufficient to have an annual memorandum of some particulars, which need not be complete or coherent. Yet there were great lacks in the knowledge of the subject then possessed by the companies themselves. In the earliest years of one of the oldest of these companies no attempt at strict medical examination was made, but the trustees looked the applicant over and guessed about his desirability. At one time an actuarial error was made in the same company which was so serious that it would have led to technical insolvency had the payment of dividends accordingly been persisted in. Even the mortality tables then existing were somewhat inconsistent and inaccurate; and the entire practice was tentative, the experience which alone can furnish the solid groundwork not having yet been obtained.

Notwithstanding, these pioneer companies felt their way along. And since life insurance was much better understood in 1871 than in 1854 the failure of new companies in 1871-80 cannot be ascribed to the undetermined state of the foundation principles. On the contrary, those principles were as firmly settled by experience then as they are now. This brief reference to the beginnings of life insurance is therefore made solely to bring out and emphasize the fact that companies have failed in the past, and may fail in the future, because of inefficient administration. Able men will not be so deficient in foresight as to attempt founding a new company when the time is not propitious; and even if the time is propitious the company will probably die young unless in competent hands.

Insurance of lives may be somewhat figuratively defined as the product of three factors: a rate of mortality, a rate of interest, and competent management. The problem in fire underwriting is to provide funds for the minority of policies which involve loss; the problem in life underwriting is to provide for every policy that is written. For since the actual ultimate mortality is 1,000 per 1,000, the outcome, in insurance parlance, is a total loss on every policy that is kept up, and a million dollars are demanded for every thousand

persons at \$1,000 each. The term "insurance," as commonly and naturally understood in its application to property, is therefore worse than inexact here; it is seriously misleading. Underwriting life is a process of accumulation. The early dying draw heavily from the common fund, contributing their own lives, while their heirs receive the commutation of those lives in money; those who survive late make up the deficits on the others, but get what advantage may be in longevity, so that the case equalizes itself.

In practice there is another factor: the expense rate, which is provided for by adding to the mortality part of the premium charge a percentage or "loading." The mortality tables are now known, and are a part of the common stock. A company may start to-day with substantially all the information on this subject which the oldest office possesses; but in the "selection" of lives—which determines how the actual shall correspond with the "table" mortality—there is room for important variations, and here the advantages are with experience. The rate of interest is not quite fixed, and the investment of funds is an exceedingly difficult problem, which, again, tests the quality of management. The expense, and its ratio of effectiveness in results secured, is also not fixed and in its turn tests the management. One may say that success in trading consists in selling great quantities of merchandise at a profit and avoiding losses, but saying this helps nobody to do it. We may likewise say that life underwriting is simple and easy, but the simple and easy things to say are complex and difficult to do, and every point of view brings us back to management as the prime condition of success.

If one imagines a body of one thousand men at age thirty, each of whom is certain to live to eighty, the problem of finding a premium rate which—at a given rate of interest and with the low expense that would be involved in such a case—would provide a million dollars for distribution fifty years hence would be very simple; the mortality part of the premium, at 3 per cent., need not exceed nine dollars. But in fact few of these men will reach eighty; some will drop away very soon; the number dying annually will increase during more than half of the term, then will decrease rapidly as the number surviving diminishes, but the ratio of deaths to the number surviving will rise uninterruptedly to the end. This, however, is fixed and true only on the average, and here let us note that "average,"

so constantly mentioned as the foundation of life insurance, means simply that lives are considered in the mass. The law of average runs through the whole like a confining chain, from which there may be individual departures, but these departures will ultimately offset one another. Thus, if the actual deaths in a given block of lives, in some year or years, run a little beyond the rate as established by observation, they will run below that rate in some other year or years. But one individual alone has no average; observation has not established, and never can establish, any conclusion about him except that he will die. We have, therefore, two foundation facts at the outset: first, that there is substantially precise knowledge of the *rate* at which a large number of persons will die; second, that no knowledge about their *order* of dying is possible.

This cannot be too distinctly understood or be made too emphatic at the outset, for these two facts lie at the very bottom of the foundation of life insurance. If all persons were certain to live to a uniform age, life insurance would be only a savings bank and could not exist distinctively. If every person's date of dying were known to everybody—if, for instance, it were stamped on his forehead—insurance would be impossible; for the early dying would be anxious to come in, but the ones favored of destiny would refuse to join with them. If his own fatal date were known to each person and concealed from all others, only the short lived would be willing to accept life insurance, and that is impossible without the aid of the others. The utterly insoluble uncertainty of how soon any healthy person will die is the sole fact that makes life insurance possible. However, the forms of contract may be varied and multiplied, and whatever stress is laid upon the "investment" or self-beneficiary side, life insurance is founded upon these two facts: that every person knows he must die, and that no person knows the date. This cannot be too clearly understood or too constantly kept in mind.

The organization of a company naturally and inevitably divides itself into six departments: executive, agency, medical, actuarial, legal and financial. Each of these represents work which must be done from the beginning. But the young company may start by adopting the table rates in use by others, and may employ a consulting actuary more or less; it may employ counsel, as others do, without engaging exclusive service; for a time, it may be more

troubled by lack than by abundance of funds to invest; its secretary or other officer may have an actuarial education, and in its early years one man may do the work of two, in kind if not also in amount, thus, not all the departments may be required at first, although the work of all must be performed in some way. As a company becomes large some of the departments may subdivide and specialize. For example, the financial department may develop divisions for care of real estate, for recording and keeping securities owned, for making mortgage loans, for making loans on collateral, etc. To liken this expansion to a tree, which puts out new branches while it also grows in size and the trunk which includes the rest also enlarges, is to use a very natural simile.

The business of the agency department is to get business, and it is indispensable. The vast development of insurance has changed the work of the agent in some respects. Speaking broadly, it is no longer necessary (as it once was) to persuade men to approve insurance, for its wisdom, expediency and necessity are now admitted. But men have still to be moved to do what their judgment approves; procrastination must be overcome, as ever; the variety of policies is large, and the question of form and amount is serious and not wholly easy; moreover, competition is active, and the agent finds a part of his work in defining and upholding the advantages of his particular company. In time past, newspapers have argued that if insurance were made attractive enough the public would come in without persuasion; but the best ingenuity and effort of the ablest actuaries have been expended upon attractiveness of contract, and yet men will not come unsought. Even if they did come, and if there were no agents, so many branch offices all over the country would be required to perform the work of filling out the papers and making the medical examinations that although the form would be changed the labor and expense of getting men in would not all be saved.

The agency department must begin as soon as the company begins, and must grow with its growth, for agency operations are the source and condition of that growth. At its head, of course, is a superintendent, with assistants, and it branches out over the field occupied. There may be a system of general agents, each having his geographical field which he works and manages, subject to the central office and dealing directly with it; or there may be branch offices in the largest centres, issuing policies direct, sharing some of

the powers of the home office and yet governed by it; or there may be a combination of both; the rule of compensation may be a commission, or salary, or both, etc. There is no hard or uniform rule. In these matters of detail each company follows its own plan, guided by its own and others' experience, aiming only at the most effective results; but the agency system in some form is integral and permanent—it is the force which moves and makes the rest.

For many years and in many companies the general agency system has had the preference. Under it exclusive territory is granted, and the agent is responsible for the development of his field, being required to produce and maintain a volume of business deemed reasonable by his company, and to this end employing sub-agents and others, for whose conduct he is answerable. Such a general agent derives a pecuniary benefit from all business obtained within his district, no matter from what source derived, as, for instance, voluntary applications from those not solicited to insure. Permanence is its chief merit, enabling one to reap where he has sown; and, in turn, permanence adds to standing, makes for character, and secures the most creditable representation. Latterly this system is being abandoned by the larger companies. Exclusive territory does not exist with them. An agent is free to get business anywhere, reporting direct to the company without any intermediary. This change has been in the interest of volume of business, permitting the employment of an indefinite number of agents. But it may be questioned whether the quality of the business has been maintained, the probability being that it has deteriorated in proportion to the number of untried and irresponsible solicitors thus introduced.

The direct physical examination of the prospective member is, of course, made by some physician conveniently near, but the medical department at the home office passes upon the papers submitted. Some contract forms have been recently proposed which waive medical examination. It may also be waived in specific cases (as in a recent reported offer to insure the members of a large society in a special industry in a mass), and in connection with annuities there is no occasion for it; but, with these exceptions, no application goes through until the medical department has passed it. This work may be termed winnowing selection. The mortality tables are based upon observation of healthy or selected lives. If names were

drawn by lot from the entire population, the membership thus obtained would be below the standard; if candidates were accepted as they come, without any sifting, the result would be much farther below standard, for the poorest risks would be most prompt and sure to apply, thus exercising an unfavorable selection; if the company could draft men into membership, the selection would be at its best. The winnowing of those who volunteer for membership is intended to come as near as possible to the selection by this imaginary drafting. The applicant's physical condition, his own record, and his family record are considered, and then, by a sort of intuition or sixth sense (in which a few have been notably and inexplicably successful) the chief examiner decides, in some cases, that somehow he does not quite approve the risk. It is a maxim that the benefit of selection—in other words, the reach of this medical forecast—does not last beyond seven years, and the fluctuations of the law of average as to single individuals are illustrated by the fact that a few men die within a few months, sometimes within a few weeks, after passing the most rigid examination; nevertheless, this sifting is indispensable. The result of a favorable or unfavorable mortality experience is to make the accumulation process longer or shorter. The more delay in maturing of the policy, the more premiums can be gotten in; or, if the policy is already paid up, the more time is allowed to the fund for interest accumulation. A slow rate of mortality—that is, an increased average longevity—is therefore of the utmost importance. Increase this average, or increase the rate of interest obtainable, and the premium rate required diminishes; let the members die a little younger, or let the interest rate fall, and the premium must rise. And here, too, management, by which is meant capability, fitness and peculiar adaptation for the responsibility imposed, is essential to success. Imagine the absence of qualification and you will at once see how the well-being of the mass may be put in jeopardy and exposed to unreasonable and unnecessary death claims by an influx of lives below the standard, admitted through ignorance or indifference.

The actuary is as necessary as the medical examiner, and his work is permanently needed. He must take the mortality tables, the safe assumed interest rate, and the required loading for expense, and by combining the three must construct premium tables for

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every form of policy. Moreover, it is his part to devise variety, flexibility of application and attractiveness for the contract; he must invent new forms of policy wherewith to meet competition. He must not merely match felt wants; he must intuitively anticipate the feeling and tempt the public with inducements which had not been missed. He must figure out the utmost advantages in options, paid up policies, and surrender values which can be conceded; he must be liberal on the one hand, and perfectly sure and safe on the other, for a blunder on his part might lead the office into issuing a line of contracts both impracticable and irrevocable.

Even a sketch of policy forms would take us too far afield, but I may point out that they divide into three principal groups: the ordinary life (the simple original form), which matures only at death and collects premiums until then; the limited premium form of the same, which is paid up in a fixed number of years; and the endowment, which matures at the end of a specified term or at death if that occurs sooner. The endowment may require premiums annually until maturity or may be fully paid up in a shorter term. Obviously, the lowest rate suffices for the whole life policy, but the smaller the agreed number of premiums the larger each must be. An endowment requires a high rate, for if it is to be paid in, say, twenty years, the money must be gathered in by the end of that term and the company must also bear the risk of earlier maturity by death; if the number of premiums is further limited, there must be a further increase in the amount of each. In all contracts of life insurance, excepting only term policies for a brief period of years, in which case the "reserve" is so small as to be inconsiderable, the premium contains what is known as the banking or self-insurance element; that is, the holder of an endowment or of a limited premium contract pays a part as the cost of carrying the insurance risk that the policy may mature by death and another part as contribution to making up the \$1,000 certainly at the agreed time of maturity. On the high premium forms, the temporary risk to the company is clearly less, since it is getting in money more rapidly; hence a man may often be accepted for a high premium form who would not be for the plain ordinary life.

Under this contract, however, the same process of accumulation goes on, the difference being only one of degree. One insuring under it, and surviving to age ninety-six, will have done three dis-

tinct things. He will have paid each year his contributive share of the death losses, he will have paid his just proportion of the expenses of management, and, equally vital, he will have accumulated a fund to his credit and for his endowment equal to the face of his policy. Briefly expressed, an ordinary life policy is an endowment maturing at age ninety-six should the insured so long survive. Correct forms of policies are essential; which is to say they shall be so drawn in consideration of such adequate premiums that the liability incurred shall be precise and definite, free from ambiguity, and that the funds to meet them will surely be produced from the aggregate of the premiums paid. And beyond these, the actuary must accurately, at the close of each year, calculate every item of present or contingent liability under all contracts of insurance issued, ascertaining the aggregate of such liabilities, and thus serve notice upon the financial department to have, or to get, the funds necessary to balance. He must compute the surplus available for division, and ascertain each member's share in the latter, whether this is done annually in the old-fashioned way or according to the later plan of deferring all settlements of surplus to the end of a specific term, usually fifteen or twenty years. Computing surrender values, or the amount at which the company will purchase a policy not yet matured, is also an important and delicate duty of the actuarial department. In the simplest case—that of an endowment—it is easy to discount, at a given interest rate, a payment due at a known future date; but on policies which mature at death the date of maturity is unknown and the conditions are less precise. In considering this, there are two factors which the public understand very imperfectly: the character of each member's interest in the common fund, and the effect of selection.

In dealing with life insurance men act selfishly, without regard to the welfare and rights of their fellow members. I have already explained that, if the medical examiner did not stand at the entrance gate, the weakest and least desirable lives would be surest and soonest to come in; similarly, if the actuary did not stand at the exit gate, the best and most desirable lives would be surest and soonest to go out—indeed, those who feel that they have become impaired always hold tenaciously to their policies. Once issued, a policy carries with it a periodic option to renew, and this option is always one-sided. The holder can decide not to continue, and the company

cannot prevent him; or he can tender his renewal premium and the company cannot refuse it, unless it is past due. Each member holds an option against all the others combined; but the others combined hold none against him. The selection as decided by each member in his own case is always against the company; that is, each one seeks his own interest, thus producing what may be called a hostile selection. This being so, it follows that while all the members of a strictly mutual company own all the assets—since they *are* the company—the interest of each is not absolute and divisible, as in a savings bank. In the latter, each may withdraw his deposit at will, because doing so does not affect the others; in the insurance company, each depends upon the others and therefore owes something to the others. Even the bank puts a penalty upon withdrawal by forfeiting accrued but undeclared interest; the insurance company likewise must protect itself by keeping part of the retiring member's share, while being duly mindful of what is justly his.

The matter of surrender values, of apportioning Tontine or deferred dividend shares at the end of the agreed term, and of dividend apportionment generally, is productive of more or less misunderstanding and dissatisfaction. As to the first, I wish to make it fully clear that the joint ownership of life insurance funds is peculiar; each member's share is both his and not his. Joining the membership was a tacit engagement on his part to remain to the end, and if he breaks this he must submit to some penalty; otherwise, the scheme itself might be ruptured by disintegration. Legislation in some instances has fixed a maximum penalty or surrender charge, thus preventing injustice in this regard, if this were the disposition; but the fact is that competition among the companies, attended by pretty full information as to what each does under any given circumstances, has evoked greater liberality than any law commands. It is within the knowledge of many how one company, enjoying an unenviable distinction for the payment of meagre surrender values, through publicity given its practices has now become most liberal and, as I think, has gone farther than equity permits. Companies now vie with each other as to the largest measure of liberality that may be extended those who voluntarily withdraw from their undertakings, and the danger is not that they will receive too little, but too much.

Companies which adhere strictly to the old plan of annual divi-

dends oppose the Tontine or deferred plan as being wrong in principle and subversive of the life insurance idea; they are, indeed, compelled to oppose it in self-defense, for the prodigious expansion of insurance in the last twenty years has been largely by pressing the investment or self-beneficiary view of the subject. The best argument for Tontine is that men have a right to prefer it, if properly explained, and that it has had the effect of diffusing life insurance as just stated; on the other hand, the temptation to overestimate (if not to overstate) the value of the results to be realized by members who survive and persist to the end of the deferred period, and the disappointments and bickerings which have occurred and must be measurably expected, are against the plan.

There are other objections more or less vital. Insurance has for its central and sustaining idea the care of widows and orphans, and one's own protection in old age. Take away this proper motive and the system, if it do not fail, becomes something else. It has by so much ceased to be insurance. When one sets out to buy insurance, if rightly informed he will get all that his money can command, and to this end all of his money will be thus applied. No part of it will be exposed to loss in consideration of prospective gain from the losses of others! Gambling is a harsh word, and the deferred dividend system has been so contrived and exploited as measurably to conceal its true operation; but gambling with surplus is truly expressive of its nature. Large returns, handsome profits, are the inducements, while little or nothing is said of the sources from which such gains are derived nor the hazard to which each member of the class is exposed. Such a plan appeals most strongly to one of the worst sides of our human nature—an instinctive, and maybe perfectly natural, desire for something without an exchange of equivalent value. One fact here stands prominently in relief. This appeal to cupidity has tremendously aided in the diffusion of life insurance. It seems to be a case of good following evil; and upon the theory that life insurance is worth all it costs to those who have it, the system may have served a useful purpose pending public enlightenment. When, however, the fact that some companies under the annual dividend system, without exposing their members to any loss of surplus, have produced results for their members exceeding those where the hazard of death or lapse imposed such losses—when, I say, this fact is brought home to the insuring public, there will be

an end to the deferred dividend plans, an end as well to the vast accumulations incident to it, and the long train of extravagance and kindred abuses which have sprung therefrom. State law has intervened to prevent forfeiture of the reserve interest of the lapsing member, but law has not assumed to interfere with the apportioning of dividends by the company's management. In a leading case in which a member who was dissatisfied with his share in the distribution sued for what he figured was the just amount, the New York Court of Appeals in substance held that the apportionment rests with the company, not with the member. If each member could figure out his own share of a divisible fund, and could then thrust in his arm and take it, he could as justly decide that what had not yet been declared divisible ought to be; the most assertive and active members would thus secure a preference, and the entire assets might not suffice to go around. What is not practicable cannot be equitable. Somebody—and so the Court of Appeals held—must be vested with the power of deciding what portion of the fund is properly divisible at any date, and of apportioning this with regard to the rights of all the members and not merely of a few. The collectors and custodians of the fund must, therefore, distribute it. Can we trust them? This question is equivalent to asking, Can we trust anybody? and the conclusive answer is, We must. A purely mutual company, devoid of even the complication of a capital stock, is simply and wholly this: a common fund belonging to many thousands of persons who do not know so much of one another as names and residences, this fund being held in trust by a few men who manage it in the interest of all. They should so manage it, unquestionably; but will they and do they? It is plain that if they allow one member too much they must draw the excess from the rest, and that they can have no motive to take from one to give to another; their central position as trustees and arbitrators imposes on them the duty of impartiality and leaves them no inducement otherwise. But may they not pinch and deal hardly with each member in turn, in the interest of the entire fund? There is a constant effort for more business and more assets. There is such a thing as a lust for money, even for trust money, and it is conceivable that the managers—let us be exact and say some managers—may be so enamored of hundreds of millions as to jealously seek to restrict disbursements too much. But this is an admission for the argument's

sake. Putting the matter on no higher ground than that of expediency, there is no reputation more delicate, more valuable as an asset, and more carefully guarded, than that of a life insurance company. The managers are fallible men, but they are keenly alert to the necessity of fair play.

Little need be said of the legal department. Its work includes the conduct of cases in court, the investigating of questionable claims, the phraseology of policies and other contracts, and the wide variety of matters which require expert advice. Practically, nine-tenths of the work of the legal department is centred in the investment or financial department. Is that bond properly drawn? is this title to property proposed to be mortgaged clear and indefeasible? are we pursuing proper remedies for the collection of our debt? are we likely to cloud our title or jeopardize our position by our leniency to debtors? are some of the questions indicating the scope of this work, which, well or poorly done, finds its expression in the result to policyholders. It is essential to successful achievement that a high order of talent united with equally high integrity shall be employed. A company which is large enough to maintain a legal department of its own will certainly have enough proper and legitimate work for it.

The function of the financial department is to take the funds which others bring in and make them increase. Life insurance is founded upon the improvement of money at an assumed minimum rate of interest. The compound interest tables are figured upon investment in advance, with no loss of time whatever, and with no loss either of interest or principal. No capitalist, individual or corporation ever did or can fully realize these conditions; the shortages by failure to realize them are covered in the excess of the actual over the assumed interest rate, but it is the test of a company's financiering to come the nearest possible to this. The most permanent investments are securities and real estate owned; the next permanent are mortgages; none is safer and more profitable than loans on policies, although there are some objections to these, outside of the investment view; the fluctuating investments are collateral loans and cash in bank. The last named is an intermediate halting place of money, and it commands a low rate of interest there which varies with the state of the markets and the size of the account.

Manifestly, securities owned should be dividend paying; but if

a company did not take advantage of a depression in the markets, which pulls down the most substantial things also, its financiers would deserve a less complimentary name. To correctly judge the real substance behind securities demands special ability of a high order, and no better tribute to the financial handling of American companies could be asked than the fact that they have rarely been caught in bad investments. There have been some instances, for all men are fallible; but in the life insurance field they are few.

The executive department comprehends all the others in being their superior in rank and responsible for their composition and results; it is the great central ganglion from which the impulse of energy proceeds. From this centre the growth of the company extends outward, in that the executive department determines when additional branches are needed for the work and what directions they shall take. To say this in no degree detracts from the importance of the others; it only states the natural arrangement of organization. If we look to the government of the United States for an analogue we find it approximately, but in life insurance the executive department is also legislative and judiciary, being necessarily a governing body in all directions. To represent it as literally an autocratic one-man power would not be accurate, for co-operation and division do exist in the administrative life; yet there is a finally directing head.

If I have been followed thus far, I have been anticipated in saying that the essentials of life insurance administration are ability and integrity, for all outlining of the difficult and complex functions of the work performed leads to this: that ability of a special kind and a high degree is indispensable. There must be ability, or there can be no construction; there must be integrity, also, or the construction will disintegrate before it has proceeded very far. Life insurance does not grow of itself; it is not self-moving. The managing position is not one of dignified ease—merely to accept business brought in, sign necessary papers, and preside at the table in the board room, as some excellent gentlemen who had not succeeded in mercantile life seem to have imagined forty years ago. If the man at the centre does not have his coat off literally he must have it so figuratively. Following a well approved maxim, the able executive does no clerical work, nor does anything himself which he can find another to do for him; yet just here comes difficulty and test, for he must

fit men to their places. By what means shall he do this? Not by trying them and throwing them aside as they are found wanting; the business cannot allow being made the subject of such experiments. He must know men by some intuitional or sixth sense, which neither he nor any other can explain or understand. Some men who have been exceptionally successful in soliciting have an inexplicable faculty resembling this—the power of influencing others. The sketch must not be overdrawn, for life insurance must be managed, as other operations must be, by human and fallible men who make mistakes; yet it is true that eminent ability is required, and the success of American life insurance proves that it is found.

To reach out after, receive, care for, cause to fructify, and disburse the funds of others—this is the sole function of life insurance. In a mutual organization the funds are exclusively trust funds. The trustee's task in the disbursement is even more delicate, if not more difficult, than in other handling. He must guard the fund against bad legislation, bad state supervision, and against the open or secret attacks of all who are attracted by its size and apparent exposure; this he must do as best he can. He must keep in check the greedy member who would like to help himself. He must defeat the fraudulent claimant. He must keep in the middle of the road between liberality and parsimony, always attaining safety. He must pacify members who feel disappointed, resist those who are unreasonable, and do his best to leave no opportunity for misunderstandings and unfounded expectations. He must look warily forward, always on his guard lest he fall into some error which may prove the seed of trouble hereafter.

In a mutual company the trustee at the centre owns nothing except his individual interest as a member, and is not entitled to anything beyond his reasonable salary, except such honor as he earns. There is a persistent notion that some salaries are excessive. But administrative ability is in keen demand and short supply; only the best suits life insurance, and to accept anything less would be intolerably bad economy. There is also a persistent notion that claimants are viewed with unfriendly eyes and oppressed whenever possible; the fact is just the reverse. The claims even temporarily demurred to are an insignificant fraction of the whole, and those unjustly resisted are fewer than those which are bad in morals, or in law, or in both, yet are paid because of expediency. This

unfounded prejudice against life insurance upon the side of claim settlements, and the persistent habit of juries of assuming that the company which comes into court is in the wrong, are the encouragement of those who attempt fraud. Sometimes the attempt succeeds, because it may be a question whether resistance or settlement will better conserve the trust. In one of the most famous cases, not finally disposed of until about a year ago, the company which refused to pay a plainly fraudulent claim and expended in defense much more than compromise would have cost, was right; the companies which wearied of the disagreeable fight and ended it by compromise were also right. The rule of expediency is sometimes the rule of duty, and we may fairly take diverse views of either in particular cases.

It is somewhat difficult to speak calmly of the statutes respecting life insurance and the official treatment applied to it by states. These seem to be placed upon the theory that this great institution is among the necessary evils, and tolerable only when in bonds; that company managers would abuse their trust and oppress the public, in order to enrich themselves, were they not closely followed and watched. No intelligent man accepts such a proposition when it is put into a concrete form; yet if the unfriendliness of statute and supervision is justifiable at all it must be because life insurance is assumed to be dangerous except under restraint. On the contrary, its safety and expansion are more in spite of than because of the attempts of states to intervene lest wrong be done; and for relief from a burden, which is certainly not becoming less intolerable, we must look to a gradual enlightenment of public opinion on the subject.

In conclusion, I am conscious that life insurance may sometimes be painted in somewhat too high colors by its enthusiastic spokesmen. It is not, clearly, the most altruistic, or most beneficent, or most indispensable, or most perfect, or even the most certainly remunerative as an occupation, of all human employments; or at least, let us say, not necessarily and always so. It has its trials, its imperfections, its mistakes, its spots which show against the general whiteness. Speaking of it without exaggeration compels us to admit that the men engaged in it, from bottom to top, are not demigods, but men like ourselves. Criticism is not to be warned away from them; but it should use the pen point discriminatingly, and

not smear as with a brush. That administration which has succeeded before our eyes certainly has the great essential of ability; as for the other great essential of integrity, while the consciousness of duty and of fidelity to trust may not in every case be ideally high, it is at least well up to or above the average. We may justly give honor and gratulation to American life insurance.