

The Past and Present of Life Insurance in America



THE recent interruption of the remarkable condition of equity which has characterized the management of the Equitable Life Assurance society ever since its organization serves admirably to suggest the subject of life insurance, a business which has assumed a really colossal proportion. There is no especial reason why the matter should not be of unusual interest to the average American since he of all others is the one most likely to be concerned personally.

In order fully to comprehend the advance made in life insurance it will be profitable to recall briefly the history of the Equitable. It began its career in 1859 in two little rear offices at 92 Broadway, New York. Henry B. Hyde, its originator and principal stock owner, then twenty-five years of age, had been a clerk for the New York Mutual Life company. He had saved a little money, and he interested some capitalists in the project of beginning the Equitable. Among them was W. C. Alexander, a dignified lawyer of some local reputation. When the officers were chosen Hyde declined the presidency

and which has been characterized by much plain speaking on both sides the public is thoroughly familiar. Some of the most conspicuous personalities in the discussion are entitled to more than a passing notice. They are men who are not only of great influence in the councils of the Equitable society, but are known as powers in the financial world. Their multifarious business interests are so interwoven with many of the country's mammoth enterprises that their movements are of more or less importance to everybody.

James Waddell Alexander was elected president of the Equitable Life Assurance society to succeed Henry B. Hyde, who died May 2, 1899. He is a man who possessed the full confidence of his chief and was thoroughly conversant with Mr. Hyde's methods. For many years previous to the death of his friend Mr. Alexander as first vice president of the company had been regarded as Mr. Hyde's "right hand man" in the administration of the affairs of the Equitable.

Mr. Alexander was born at Princeton, N. J., July 18, 1839. He is the son of the Rev. Dr. James W. Alexander, former pastor of the Fifth Avenue Presbyterian church, New York. He was prepared at home for Princeton and was graduated at that institution in 1860. He chose the law as his profession, and after he was admitted to the

ed from the third to the second vice presidency.

From every possible viewpoint James Hyde is one of the most picturesque figures in American social and financial life. A little less than a decade ago he was a tall, rather awkward and unusually studious youngster of twenty at Harvard. In those days he cared absolutely nothing for appearance and was devoted to study, especially to the French language and literature. So great a passion had he for this form of intellectual development that when he entered the university it was so arranged that he should devote a large portion of his course to the study of his favorite branch. At Cambridge he is still remembered as one of the best students of the French language and literature ever graduated from the university.

After leaving Harvard he continued his studies and made several trips to France in pursuit of further knowledge. As he grew in years his devotion to his hobby showed no signs of falling off. He allied himself with all of the foremost Gallic literary associations in America, and for his efforts in the direction of cultivating a popular taste for the subject he has been decorated by the French government and admitted to the Legion of Honor. At the death of his father he became one of the trustees of the vast Hyde interests,

vidual agent. When Tarbell was called to New York and given general supervision of all the agencies of the Equitable his Chicago business had grown to be the largest of its kind in the world. In 1893 Mr. Tarbell was summoned to headquarters as third vice president of the company. From that day he has been recognized as one of the strong factors in the continuous success and enormous expansion of the Equitable. He is the personification of force and energy, and the vast system of agencies belonging to the society is among the most perfect business organizations ever devised. In the present trouble in the Equitable H. H. Knowles, the recently deceased superintendent of agencies, accused Mr. Tarbell of being in a plot to oust James H. Hyde, after which Mr. Alexander would gracefully retire, leaving the presidency to Mr. Tarbell. This allegation has been strenuously denied by the gentleman most interested as well as by those closest to him.

Incredible as it may seem, life insurance was originally only an incident of marine insurance. In former times, when the success or failure of a voyage depended largely on the personal qualifications of the master of a ship, the owners of ship and cargo would insure themselves not only against the dangers of the sea, but also against the possibility of loss through the death of

and a general reconstruction of the methods of those that survived. At the close of the war a large number of new concerns entered the field, and a period of active competition set in. This most scrupulous to obtain risks led to so much laxity in the transaction of business that a great majority of these ventures fell into financial straits, and during the decade beginning at 1870 many of them ceased to exist. This avalanche of disaster threw such discredit on the business that it took at least fifteen years to recover lost ground and regain the confidence of the public. During this time, unfortunately, periods for life insurance were the number of companies was reduced from seventy-one to thirty.

Since 1880 the growth of the business in America has been steady and very great. As an evidence of this may be cited the report of the New York insurance department, showing policies in force in 1901 amounting to \$7,572,000,000. At the same time there were industrial policies carrying \$1,620,000,000 of insurance. The magnitude of the business was illustrated most forcibly by an exhibit at the St. Louis world's fair which by a system of clever charting made the growth of life insurance in America both comprehensible and interesting. The charts covered the entire range of life insurance management from organization and adminis-

tration of writing the policies, there comes into the keeping of the companies an immense sum of money the rightful ownership of which has been the occasion of much dispute. If the company is of the mutual kind it would appear to belong to the policy holders. If, however, the company happens to be the ordinary business corporation it is a question not yet settled definitely as to whom the money belongs.

Many remedies have been proposed for this difficulty, and several states have attempted to settle the matter by legislation. The first state to interest itself in the adjustment of this subject was Massachusetts, which in 1861 made it obligatory for insurance companies to pay to a policy holder whose policy lapsed 80 per cent of the reserve on his own policy. California, Maine, Michigan, Missouri, New Jersey and New York have all passed restrictive laws. Like bills have failed to pass in several states, but it is really of little importance since the companies themselves now offer as good terms as legislation could secure.

One of the efforts on the part of the company was the invention of the "tonline" system. This for a time almost put an end to the dispute over the disposal of the surplus and reserve. Under this scheme the surplus and reserve of lapsing policy holders were surrendered to the company, but did not be-

insured for \$1,000,000 or more. There are at least forty-two men outside of New York who are carrying policies of \$500,000 or more. The most heavily insured woman in the United States is Mrs. Basil N. Yoko, wife of the head of the tobacco trust of Durham, N. C. If he paid \$385,000 by the life insurance company, since he is named as the sole beneficiary, Mrs. Henry C. Alexander and Mrs. Gage E. Tarbell, wives of the Equitable Life Assurance society, are insured for \$100,000 each.

GEORGE H. PICARD.

BEAUTY SECRETS OF ITALIAN WOMEN.

The women of Italy are admired the world over for their dazzling beauty and grace, and inquiry into the reason of this reveals that as a nation the parents are very guarded over their children, especially the girls, when they are of a tender age. It is noteworthy that even among the poorer classes the women not only walk gracefully, but carry their heads with charming dignity. These women gain this pose through carrying burdens on their heads, and in order that the children of the better class need not lack this quality they are trained to carry light weights on their heads. It is an exercise practiced in many schools, and that it has a beneficial effect is evident by the manner in which it develops the neck and shoulders.

Parents are not neglectful of the posture of their children. Either the mother or the nurse is said to "teach the features how to grow," and in order to lengthen or straighten the nose it is gently pinched several times a day. The growth is regulated in this way. The Italian child is never allowed to rub its eyes. If it bursts into tears it is not repressed, but allowed to have the cry out. This, it is claimed, brightens the eyes and makes them clear, while rubbing the eyes injures them in many ways. Reading in a dim light is never indulged in. But the two factors which contribute most to beauty are rest when not feeling well and avoidance of much meat. By taking a complete rest when even slightly indisposed the Italian woman avoids nervous prostration and does not lose her good complexion. Her diet includes very little meat. Fruit is eaten in large quantities and the face treated constantly by massage.

SOME RIOTS THAT HAVE OCCURRED IN ENGLAND.

About twenty years ago London was the scene of a riot which, though mild as compared with those witnessed at St. Petersburg recently, created great excitement in the metropolis and the provinces. Joined by the Social Democrats, the unemployed of London marched to Trafalgar square, the procession being headed with red banners. It was proposed to hold a mass meeting in the open air, but being put to a severe test, the organization over which so much time and trouble had been spent broke down, and during the latter part of the afternoon of Feb. 8 rioting was carried on in the vicinity of Trafalgar square. Windows were smashed, shops ransacked and private carriages attacked and robbed. In the course of about two hours the damage to the extent of \$55,000 was done. Only a few of the rioters felt under arrest, and they were sent to various terms of imprisonment.

The last riot in England in which the military took part with fatal results occurred in 1831 in the coal district. Two people were killed. Picked riots against a colliery manager at Mord, Flintshire, in 1869 were put down by the military by stern measures, four being shot.

FOUR GENERATIONS ALIVE IN SOME ROYAL FAMILIES.

An impression in some quarters that members of royal families are unhealthy and short lived does not receive much support from the records of reigning houses. The latest photograph taken of the new heir to the Italian throne shows his young majesty in the arms of his grandmother, Queen Margherita, while the latter's mother and King Victor Emmanuel III. are also there, thus showing four generations. Hapsburg, the reigning house of Austria, can produce representatives of four generations, Emperor Francis Joseph having quite a large number of great-grandchildren. Bavaria and Denmark are two countries the rulers of which also enjoy the distinction of having great-grandchildren, while Prussia and Germany were happy in the same way before the death of their late sovereigns.

Four generations of a family alive at the same time are exceedingly rare among ordinary citizens, but from the above it will be seen that they constitute the rule rather than the exception among the royal houses of Europe.

ISLAND OF BLACK CATS.

One of the queerest corners of the earth is Chatham island, off the coast of Ecuador. This island lies 600 miles west of Guayaquil, and the equator runs directly through it. Captain Reinman, who was sent to the Galapagos group of islands to inquire into the progress of the yellow fever, says it abounds in cats, every one of which is black. These animals live in the crevices of the lava foundation near the coast and subsist by catching fish and crabs instead of rats and mice. Other animals on the island are hares, wild fowls, dogs, goats and chickens, all white.

UNCLE SAM'S SCHOOLS.

More than 16,000,000 pupils, or 20 1/2 per cent of the entire population, were enrolled in the common schools of the United States in the fiscal year ended June 30, 1904. The total school enrollment for the year, including public and private, elementary, secondary and higher schools, was 17,529,475 pupils, and to this there should be an addition made for evening schools, business schools, private kindergartens, Indian schools, state schools for defective children, etc., 648,146, making a grand total of 18,177,621.

are made of thick glass containing a high percentage of lead.

Argentina is the United States of South America. It is made up of fourteen states and nine territories. The population is about 5,000,000.

The imports from Panama into the United States in the year ended June 30, 1904, were valued at \$46,144, and the exports from the United States to Panama were valued at \$79,734.



EQUITABLE BUILDING IN NEW YORK

JAMES H. HYDE



GAGE E. TARBEL



J.W. ALEXANDER

on account of his youth, and Alexander was given the position. Hyde was allotted 62 per cent of the stock, which was nominally \$100,000.

The new enterprise grew marvelously. Mr. Hyde was probably one of the most capable and successful insurance executives that ever lived. For over forty years he devoted himself and all his energies to the building up of his great scheme, and his profits amounted to many millions. He began at a salary of \$4,000 and afterward received \$100,000. The Alexanders continued with the company from the day of its foundation until the present time. The elder Hyde was always on terms of the closest intimacy with the Alexander family, and at his death he committed the affairs of the company and the management of his great estate to James W. Alexander, the present executive.

Since the elder Hyde's death the relations between the two families have not always been entirely amicable. Much of the difficulty has arisen from the diverse views of life held by Mr. Alexander and the son of his old friend and business associate. The president has little sympathy with the things that make for a brilliant existence, and Mr. Hyde after his return from Harvard wished to develop an exceptional foundation for the best things of life. It is not inconceivable to Mr. Alexander that his association, all of them men who are deeply impressed by the business and social life which their position entails. But a young man who is alleged to have expended as much as \$100,000 on a life of dissipation should he show the attitude of security now prevailing in the company's official circles.

At the conference which followed the action of the company's officials

bar went to New York and became a member of the firm of Cummings, Alexander & Green. In 1866 he retired from the active practice of his profession to become secretary of the Equitable society, of which his uncle had been first president. He was made second vice president in 1871 and three years later first vice president.

Of a judicial temperament, Mr. Alexander has always exerted a great influence over those with whom he has come in contact. He has also displayed remarkable tact in dealing with important questions and has always been exceedingly popular among his business associates. Although somewhat positive in his character and convictions, his agreeable manner enables him to deal with men with a minimum of friction. He does not hesitate to say "No" when he deems it necessary, but he is master of the art of saying it without inflicting a sting. He is a man of such culture and of rare social distinction. He has been a trustee of Princeton university for many years and was president of the University club of New York for eight years. Under his guidance that most exclusive of literary associations flourished greatly, and it is due largely to Mr. Alexander's energy and generosity that the splendid structure which now shelters the club was erected. He is also a member of many other of New York's most famous social organizations.

Among those who obtained promotion in the society through the elevation of Mr. Alexander to the presidency were two officials who are very prominent in the present dissent—James Hyde, son of the late president, who had held the office of second vice president for a year previous to the death of his father, became first vice president, and Gage E. Tarbell was advanced

which, according to the will of the founder of the Equitable, were to revert to his sole charge when he should reach the age of thirty. Although he is a leader in the social world, he has shown marked ability as a business man, being at the present time a director in no less than forty-two financial enterprises.

Gage E. Tarbell, second vice president of the Equitable, has been connected with the institution over a quarter of a century. He was born at Smith's Plains, N. Y., in 1856, his father being a farmer in comfortable circumstances. He was a boy of much originality, developing a talent for financial affairs at a very early age. He was also exceedingly independent and worked his way up, acquiring an excellent education and adopting law as a profession. He had too much confidence in his business ability to wait contentedly for the practice which must be a question of years, so he took down his shingle and went west.

Mr. Tarbell was soon known in the speculative arena as a mine promoter and dealer in mining stocks. He established an office in Milwaukee, publishing a weekly bulletin of mining stock quotations and selling mining properties and stock. About this time he purchased a life insurance agency and continued the issuing of policies with his other business. His success at the new venture was so remarkable that he attracted the attention of Henry B. Hyde, who made him manager for the Equitable at Chicago. Under Mr. Tarbell's direction this agency speedily became one of the most successful in the society. The volume of business written by his agency at Chicago and its collateral branch at Milwaukee approximated \$100,000,000, a business feat never before accomplished by an indi-

vidual. So it was the custom to make out insurance on the life of the master before each voyage. These early policies were not written by companies, for that was long before the insurance company as it is now known came into existence. They were issued by private individuals.

The very first life insurance company of which there is any record was established in 1665 by the Mercers company of London. It was originated for the benefit of the widows and orphans of its subscribers, and the members agreed on entering to contribute 5 shillings apiece as an indemnity to be paid on the death of each member. The first policy ever issued to any one was written in London in 1583. It insured the life of one William Gybbons for twelve months, and it was underwritten by no less than thirteen persons acting individually. The premium was \$80 per thousand.

The oldest life insurance companies now existing are the London Assurance corporation and the Royal Exchange Assurance corporation. Both of these ancient institutions were chartered in 1720 and began to issue life policies the following year. The Equitable of London was organized in 1762 and was the first company to devote itself exclusively to the business of life insurance and to adopt some of the methods which have come down to the present day. There were many companies formed during the eighteenth century, but, besides those mentioned, there was only one that has survived until the present day—the Pelican, which was started in 1797.

The first life insurance company to begin business in the United States was incorporated in Philadelphia in 1759. It was called the Presbyterian Amity and Life Insurance company, and it exists still. During the eighteenth century two other similar institutions were started, one in Philadelphia and one in New Jersey. Both of these were for the benefit of the widows and orphans of clergymen of the Church of England in America. The first general life insurance company was the Pennsylvania, chartered in 1812, the year of the war with England. The first company to make its appearance in Massachusetts was the Hospital Life, in 1818.

During the following twenty years many companies sprang into existence, most of them combining some other business with insurance. As a matter of fact, very little life insurance was written. It had not yet become popular, and many doubted its moral fitness. It was as late as the early forties that the movement began to assume the character of a legitimate business. Between 1840 and 1850 several of the most prominent of existing companies were established. Among them were the Mutual Life of New York, founded in 1843; the New York Life, started as the Nautilus in 1845; the Connecticut Mutual of Hartford, organized in 1846, and the Pennsylvania Mutual, launched in 1857.

The civil war almost destroyed the life insurance business in America and was the occasion of the extinguishment of most of the weaker companies

tration to the results to policy holders, mortality experience, medical statistics, etc. This exhibit disclosed the fact that in 1901 there were over 17,000,000 life insurance policies in force in the United States compared with 7,000,000 homes owned by their occupants, 6,000,000 savings bank depositors, 4,000,000 fraternal order certificates and 1,500,000 building loan certificates. Another interesting bit of information was that there are at the present time more than 40,000,000 industrial policies in force in the world.

Keen competition for new business has prompted life insurance companies to devise a great variety of policies, most of which are so bewildering to the ordinary investigator that he grasps them but feebly. However complicated they may be, they are all capable of being analyzed in such a way that the net premiums may be ascertained by the application of the same principles of probability and discount. Thus it is that if different companies use the same table of mortality and the same rate of discount they must adopt what are practically the same premium rates.

In the early stages of life insurance there was only one form of policy in use—an agreement terminating at a fixed time and now known as term insurance. Most of this business has fallen to the accident and indemnity companies. When the insurance for life plan was introduced it was believed by some that the principle involved was something entirely different from the old scheme and that the system would have to be reconstructed. It is true that the indemnity is certain in time to become a claim, but in spite of this the difference is only in appearance. According to the actuarial table, a twenty-five policy taken out at the age of twelve-five is precisely the same as a term policy for twenty-four years, since the table assumes the death of the last survivor at ninety-nine.

When endowment insurance was proposed it became popular almost immediately. The removal of death as a sine qua non from the computation was immensely attractive to the younger element of the uninsured, and the scheme flourished heavily and continued to do so. An endowment, liberally translated, is a promise to pay a person a certain stated sum at a stated future date, provided he is living. Insurance policies of this form provide also for the payment of the face value of the policy if the insured dies before the end of the endowment period.

One of the most perplexing questions which have complicated the advance of life insurance in America is the proper method of treating the reserve. If the business was confined to only one form, and that the simple plan known as the "natural premium" method, there would be little confusion. The insured would pay the stated premium fixed upon by the companies according to the showing of the actuarial table, and that would be all of it until the death of the insured made it obligatory on the part of the company to pay the face value of the policy. But as the business is actually conducted, with its almost countless forms and variations in the man-

come its legitimate property. The agreement was that at the end of a certain specified "contingent period" the money should be distributed among those who still survived. Under this plan the greater the number of lapses the greater the gain to those who remained. During the financial crisis of 1873 there were so many lapses that the "contingent" dividends were very large, and the scheme became unusually popular. The insurance companies were willing to encourage the plan, for it attracted the strong and healthy. In the course of time, however, the "contingent" form of policy was almost entirely abandoned. This was because the dividends proved to be so small and because adverse legislation made the practice inexpedient.

The system of state supervision of life insurance has now been in effect for half a century. Massachusetts was first to establish a state insurance department, in 1855. It was also the first state to adopt a scientific method of insuring the solvency of an insurance company. The method is to compel every company doing business in the state to carry a reserve sufficient to insure all its outstanding risks at net premium rates.

It is only in recent years that the life insurance companies have begun to include women among their most valuable risks. Formerly it was the theory of the insurance experts that women were peculiarly unfitted to become patrons of the insurance companies, especially if the risk involved a considerable sum. Recent inquiry among the leading life insurance institutions has developed the fact that the theory of unfitness has been universally abandoned and that at the present time a woman is considered preferable to a man as a risk, all things being equal.

Until about five years ago female life insurance was conducted under a separate head, and a mortality fund was established especially for this class of risks. Finally the matter became a subject for discussion in insurance circles, with the result that it was practically determined to abandon the unfair discrimination against women. Statistics covering a period of over fifty years were examined, and it was demonstrated that as a risk a healthy woman was by no means the inferior of the average man. As a result women were taken on precisely the same terms as men, and since that time the increase in the number of policies issued to women has been large. It is now a fact that almost all companies have come to consider the insurance of women an important branch of their business.

Now that Mr. Lehigh Stanford is no more, the most heavily insured woman in the world is Mrs. James Dunsmuir, wife of the former premier of British Columbia, who pays the premiums on policies aggregating \$1,000,000. Edman Vanamaker of Philadelphia heads the list of Americans with \$2,500,000, and his brother John comes next with \$1,500,000. The most heavily insured man in New York is George W. Vanderbilt, with \$1,000,000. C. J. Devlin of Topeka, Kan., pays premiums on \$100,000 more than does the New York multimillionaire. There are no less than thirty-two American women whose lives are insured for \$500,000 or more. There are nine men outside of New York who are

NEWS ITEMS AND OTHER NOTES.

The locomotives on the new fast express between Cologne and Berlin are built after the American pattern. The first absolutely fireproof building between Kansas City and St. Paul City will be erected in Denver next spring.

The Lincolnton (Ireland) corporation recently adopted a resolution that dur-

ing its year in office the mayor and city high sheriff should not accept British honors.

It is proposed to erect a tablet to Lord Bacon in Liverpool town hall in memory of the fact that he was once member of parliament for Liverpool. Probably the youngest general in the world is a nephew of the late shah of

Persia, a boy not yet fourteen years old. He holds the rank of full general in the Persian army.

Cable rates via Manila from Hankow are now \$2.70 Mexican against \$4.15 Mexican by the old route via Europe in 1903.

The latest penny in the slot machines in London represent a sort of savings bank. For each penny pushed in a receipt is returned, and sixty of these

represent a five shilling deposit in a bank.

Twenty-six car loads, amounting to more than 300,000 fruit trees, have been received at Hotchkiss, Colo., for planting in the orchards in the neighborhood this spring.

Walking sticks were in the fashion in Greece about four and twenty centuries ago, when the man who appeared in the streets of Athens without a stick

was liable to be arrested as a disorderly person.

Twelve hitherto unknown minerals by Beethoven have been discovered in the Vienna court library. They are to be played in Paris shortly.

In Italy the value of land is considered to be thirty-four times the annual rental.

Cologne has perhaps the best electric car system in Europe. The oper-

ating cost per kilometer, everything included, is 5 cents. It is expected that electric automobiles will soon be an economic possibility.

Berlin has 86,000 telephone connections.

The X ray operators in the London hospital used to be injured occasionally by the rays, but nothing fresh has happened since the introduction of the X ray shields a year ago. These shields