THE NEW YORK LIFE.

A Voluminous Letter From President Beers to Policy Holders,

FULL OF INTERESTING DETAILS.

A Complete Review of the Submission of the Company's Affairs to the Insurance Department of the State of New York—Flattering Financial Statement From the Books of the Concern—Inside Workings as Important as Interesting—How Figures and Appearances May Be Improperly Construed—An Apparent Indebtedness at One Time, and How Easily the Facts Wiped It Out—The Large Territories Covered and an Immense Amount of Business—The Spanish-American Agency Trouble and How Obviated—Enormous Transactions of the Vanuxem Agencies—Justification of the Agency Management.

NEW YORK, February, 2, 1892.

To the Policy Holders of the New York Life Insurance Company:

On the 16th day of June, 1891, the following communication was transmitted to the Insurance Department of the State of New York:

NEW YORK, June 16, 1891.

Hon. J. F. Pierce, Superintendent Insurance Department, Albany, N. Y.:

DEAR SIR—The charges that have been made against the company and its management in the public press, growing out of matters connected with its Spanish American department having been cabled to our President in London, we are in receipt of a cablegram from him in response suggesting that the insurance department be invited in the public interests to make an examination of the company for the satisfaction of any policy holders who might be disturbed by these charges and criticisms; and in accordance with his suggestion the Finance Committee of the company at its regular meeting held this date adopted the following preamble and resolution:

The Investigation Asked For.

"At a meeting of the Finance Committee of the New York Life Insurance Company held this date the following proceedings were had:

"WHEREAS, Certain charges and criticisms have been made against this company in the public press growing out of certain matters connected with the Spanish-American Department; and,

"Whereas, The Finance Committee of the Board of Trustees is satisfied from the statements of the officers that there will be no loss to this company by reason of the matters referred to, yet is desirous that the public should be equally satisfied; therefore,

"Resolved, That to that end the Superintendent of Insurance of this State be invited to make a thorough examination of this company."

In accordance with the foregoing the company will be pleased to have this examination made at your earliest convenience.

Yours truly, A. H. WELCH,
Second Vice President.

The Insurance Department in Charge.

In accordance with the above on the 22d day of June, 1891, the insurance department was placed in charge of the books, records, etcetera, of this company, and remained in charge until the 4th day of January, 1892.

There are many reasons why it seems not only proper but necessary to review with you the insurance department's findings. First, no corresponding test has ever been applied to the life insurance business, and the results ought to be presented to you, not only without prejudice, but from the company's point of view, and to me it seems clear that the only way to achieve this is by a personal statement. I do not mean by this to reflect in any way on your sources of information hitherto. I say that no corresponding test has ever been applied to the business of life insurance. By this I mean no investigation by a State insurance department has ever been made of a company whose assets and general business reached corresponding proportions.

Since any test has been applied to the conduct of this business, results have been achieved which, a few years ago, would seem impossible. The horizon expanded, and duties and responsibilities have fallen upon me and the executive officers of this company and of nearly all other life companies, which, if not new in kind, are so much greater in degree as to constitute almost

A New World of Experience

in our business. The investigation just closed, therefore, has been remarkable for this as well as for other reasons, and beyond question, in addition to its proportions, has been the most searching and merciless inquiry ever made of the executive officers of a life insurance company. The central fact in any such investigation is and must be the integrity of the assets of the company. The figures of the inquiry were brought down to June 30, 1891, and the insurance department's general statement is as follows:

Assets, $120,710,686 84. Liabilities, $106,002,014 81. Gross surplus on policy holders' account, $14,708,575 83.

The Superintendent of Insurance well said in commenting on the above: "Those interested may be assured that this conclusion is correct and trustworthy." These words will bear reading a second time. They mean something different from a casual statement of financial responsibility in the business world. They could be used only after our assets had been subjected to a test which might seem from many points of view unnecessarily severe but which, from the nature of our business and the sacred character of its trust, is unquestionably wise. The Superintendent, therefore, means that all doubtful items were eliminated: that our opinions were necessarily ignored; that

Disinterested Opinion Was the Standard,

and that we were obliged to plead before a bar where mitigating circumstances were ruled out of evidence. After such a test I may be allowed to offer my congratulations to our membership on the result, and to state that the other executive officers of the company, as well as myself, share with you in the satisfaction of so great an achievement.

I desire personally to emphasize my congratulations on this particular and most important view of the report. It would have been unnatural, I think, if the ideas of myself and associates of the aggregate value of the assets of this company, as expressed in our last annual statement, had differed to a considerable degree from the ideas of the gentlemen who fixed the values expressed in the insurance department's statement. Differences could arise only in certain classes of investments. A large portion of the assets of such an institution as this are of such a character that there could be no variety of opinion as to its value on any given date, but it is equally true that a considerable portion of the assets of this, as of every similar company, is of such a nature that its value at any given time must necessarily be expressed in different totals by equally capable and responsible men. The variation would express

No Actual Fluctuation in Value,

but simply a difference in opinion. Which opinion might be, for your purpose, most nearly correct, is again a matter of opinion and while I concede the wisdom in such investigations of a conservative view, and under the peculiar circumstances surrouning our request for this examination the wisdom and necessity of an ultra conservative view, I cannot avoid the conclusion that in these particular items the opinions of the men who have planned and directed the erection of the great company, while they may be accepted as the utterances of special pleaders, are worthy at least of consideration by you.

I accept the aggregate financial findings of the Insurance Department as constituting an indorsement of the management of this company, at once satisfactory to you and creditable to me and my associates. It is possible that in spite of the peculiar character of this investigation you would not have expected any word from me had the matter rested there; but the Superintendent of Insurance has seen fit, after announcing not only the solvency, but the great prosperity of the company, as evidenced in its gross surplus, of nearly $15,000,000 to take up and discuss certain items and in doing so has criticized the management of the company in these details very severely. This constitutes an added, and by its belief a sufficient reason, why I should go with you over the ground traversed by the insurance department, in order that your attention may be called to many related facts which do not appear in the report.

The department's criticisms cover several phases of management, especially investments in real estate and agents' work. The criticisms of real estate matters call attention to losses, which may be divided into actual losses, which I admit, and losses theoretical, which arise from differences of opinion.

I admit certain losses, which I will point out specifically, with the attendant circumstances, and I raise the question of difference of opinion as to the remainder. Before entering on the discussion of any of these matters, it is due to all parties to say that investments are made only with the approval of the Finance Committee, consisting of five members, and of which I am a member ex-officio.

Plaza Hotel.

The report alleges a loss on this property of $283,294. The Superintendent of Insurance uses this language in connection: "In property of this character and of such great value, the opinions of real estate experts of equal ability and integrity often differ, and other able and conscientious appraisers might value this property at higher figures, and even beyond its cost." The gentleman who by direction of the Superintendent of Insurance valued this property at $2,500,000 is a man eminently qualified to give an opinion on such a question, but it is also a fact that another gentleman of equal ability and character within a few weeks testified before the Supreme Court of the State of New York that, in his judgment, the property at the present time is worth $3,000,000. From your point of view, then, is it not fair to conclude that the alleged loss may, after all, exist only as a matter of opinion?

But the case will bear one more comment. This property is as finely located as any on Manhattan Island for hotel purposes, and, perhaps, as finely as any hotel property in the United States. It is in the line of increasing values; and, in my judgment, will ultimately yield the company a large return on the original investment.

Home Office Building.

The report alleges a loss on this property of $364,295. Its book value is $1,914,295, and it enters the Superintendent's report at $1,550,000. To illustrate again how opinions vary as to the value of real estate, let us make a parallel between this and property of a similar character in New York and draw a conclusion. Take the value placed upon our home office building for the purposes of taxation and place it beside the same value of the Equitable Life Assurance Society's home office building. The official valuation for purposes of taxation of our home office building is $1,050,000; of the Equitable home office building, $3,800,000. A statement of the figures at which each property was entered in the assets of its respective company, December 31, 1890, is as follows: The home office building of the New York Life, $1,914,000; home office of the Equitable, $15,140,000.

The department's estimate of the value of our property is approximately 80 per cent, while the assessors' figures for the purposes of taxation are a little more than 50 per cent of its book value. As the gentleman who

Appraised Our Home Office Building.

has never made an appraisal of the value of the Equitable's home office building, we can hardly draw a conclusion from that basis, but figuring from the value placed upon it by the assessor, its total value would be approximately $7,600,000, if the book value of our home office were accepted at par.

I cite these figures as strongly bringing out the truth of my suggestion concerning opinions as to real estate values. Everyone is familiar with the eminent success of the Equitable Life Assurance Society, and no one would be so absurdly unjust to that company as to allege a loss on this one parcel of real estate of $7,500,000, or indeed, any loss at all, from the policy holders' view. Therefore, is it not worthy of your consideration that in this case, as in the matter of the Plaza Hotel, the loss alleged is, after all, perhaps, a matter of opinion? In fact, I could cite you good authority on real estate values in New York who will place on our home office building to-day a valuation in excess of its cost.

There are many reasons why this estimate would be conservative. In the first place the real estate was purchased in 1869 and exceptionally well located. Any one who knows anything about the history of real estate valuation in New York in 20 years will agree that there has been during that period a heavy advance in this and all property similarly situated. The building has not been allowed to deteriorate in any particular, and it would seem that our statement of actual cost, $1,914,050, was a very conservative figure.

Holbrook Hall, Now the Yosemite.

On this item a loss has been made. Briefly, the facts are these: In 1882 we made a loan on this property when in course of construction, and after the man to whom the loan had been made had spent not only his own means (a considerable sum), but the money loaned him as well, he failed and we were obliged to foreclose. The cost of the property to us, after foreclosing, was very little more than the amount of the loan. The work of completing the structure was then placed in the hands of an eminent constructing engineer. He supplemented his own knowledge by employing an architect, and the building was finished. It was filled with a desirable class of tenants and would have paid a fair return on its cost, but for two errors which could not have been foreseen, and which do not justly subject the Finance Committee to the charge of making a bad investment of money. In carrying out a theory of fireproof construction, the architect made the same error precisely that the architect of Vice President Morton's hotel, the Shoreham, at Washington, made, and both buildings had to be reconstructed for substantially the same reason. The mistake of the architect in each case was in creating such a condition that dry rot speedily destroyed the timbers and the

Buildings Had to Be Vacated

at once. It was then discovered that in addition the foundations of Holbrook Hall, put in by the men who first obtained the loan, were insecure, and as a final result the whole structure had to come down. It was then rebuilt under the supervision of McKim, Mead & White on the most approved lines, and there is not a firmer structure of its class in this country to-day. The absolute loss to us, therefore, was approximately the cost of the first building. This we charged off and entered the property in our annual statement at the cost of the present building and ground. The figures, $729,066, the appraiser of the Insurance Department refused to accept. Four hundred and eighty thousand was named instead, and entered in the Insurance Department's findings. It is proper to add that on our present basis of rental this property will yield, when fully rented, net income of 6½ per cent on the value placed upon it by the Insurance Department and would yield a little more than 4 per cent on our valuation, ($729,060). I do not desire to evade full responsibility for myself and the Finance Committee in this matter. The claim of infallibility in the investment or reinvestment of hundreds of millions of dollars is one I have never set up.

The Paris Property.

This property was purchased some years ago under the supervision of the Chairman of our Finance Committee, who was on the ground at the time. His investigations as to the value of the property were most searching, and the purchase was made with all due care. That the rental value of the property has since depreciated is true, and that there is an apparent loss is true, but if the Superintendent had not only secured an appraisal of the value of the property as it now stands, but also had investigated the value of the property when it was purchased, he could have fully satisfied his duty as an examiner, and at the same time could have given you a satisfactory reason for the original price paid. But no such investigation was made, and as his findings seem to do us injustice, not only as above cited, but also in the value placed upon the property now, the matter will bear a word more in explanation.

It was brought to my notice during the Superintendent's investigation that the figures supplied by the Department of Taxation of the French Government on his request represented values fixed solely for its particular purposes. Our manager at Paris, with a great deal of difficulty, succeeded in getting the Credit Foncier, the largest institution of its kind in France, and a society the reputation of which is well-known throughout Europe, to have a valuation made of our property. This valuation was made with the greatest care of its most competent and experienced inspectors. The estimate of the inspectors exceeds the figures of the French Government by $162,000, and their estimate of its prospective value, based on improvements certain to be made by the city of Paris exceeds the figures adopted by the Superintendent by $393,600.

As I understand it, the variation in the Superintendent's figures from the probable actual value of this property is similar to the loss which would appear if the home office building of the Equitable Life Assurance Society should be entered in a schedule of its assets at $3,800,000, its value for purposes of taxation, and not at $15,000,000, its book value. To place the property of the Equitable in a schedule of its assets at such a total as to show a loss of $11,340,000 would be so unjust as to become absurd, yet an exactly similar thing seems to have been done in this case.

Our Western Buildings.

The report of the Superintendent of Insurance values the office buildings recently erected by us in Minneapolis, St. Paul, Kansas City and Omaha at their cost to the company, but his opinion of the wisdom of the investment seems to be uncertain, as this language indicates: "There is no immediate prospect that they (the buildings) will prove as profitable as the investments of life insurance companies should." I desire to offer a word in that connection. There are two reasons why the immediate income from these properties is smaller than we may fairly expect to receive in the future.

First—The buildings were begun under normal conditions, but were completed in the midst of a period of business depression in the four cities named, and accordingly we have had fewer tenants and lower rents than we may reasonably expect hereafter.

Second—The buildings were located with a view to future development of their respective cities.

Any one who has observed the rapid growth of the West will appreciate the necessity of considering the future even more than the present in the location of an office building. Present revenue was therefore not so much of a consideration as that the buildings should be so located that the future may tend constantly to increase and not to decrease the rent-producing power and value of the property. You will understand, of course, that investments of this character are valuable because the element of risk in reinvestment is practically eliminated. The money expended in this way is a fixed item for a long period of years. The full wisdom, or folly, of such a transaction is developed only by time. You will be interested to know, however, that one of these buildings is already.

Yielding Us a Fair Return

on the money invested, and I am further advised by competent authority that since the date of our purchase of the real estate on which these buildings are situated there has been a net appreciation in its selling value of $500,000, as shown by appraisals made at the close of 1890 and by purchase of adjoining property since made by other people. In entering these properties on our books and in submitting our estimate of their value to the Superintendent, which he accepted, we did not take this evident increase into account as evidence that the erection of this chain of Western buildings was well considered.

I point you to the fact that the investment was entered upon after discussion and approval by the Board of Trustees. It is my theory that it is only fair to the members of a company like this, the nature of whose business makes large accumulations of money necessary, that the money to be invested should go as far as is practicable to those sections of the country whence it emanates. In this case, a part of the money received was invested amongst the people who paid it. The only theory on which these buildings can be ranked as bad or even doubtful investments is one which discredits the future growth of the Western States. The report notices that "As advertisements of the company they (the buildings) no doubt have a considerable value." This is eminently true. The territory in which these buildings serve especially

To Advertise the Company,

Includes the States of Minnesota, North and South Dakota, Montana, Iowa, Nebraska, Kansas, Missouri, Texas and Indian Territory. The people of the States have constant business and social intercourse with one or more of the cities in which the buildings have been placed. The buildings have, therefore, become widely known, for, as the Superintendent's report says, "Each of them forms one of the attractions of the city in which it is located."

The evil influence upon the company's business is extremely important. In 1888, the year before the buildings were begun, the aggregate new insurance written by the company in the territory in question was $8,047,200. This aggregate has steadily increased until during the year 1891 it amounted to $28,869,950, which is the largest business that was secured in that field during that year by any life insurance company. And not only was the quantity of the business remarkable, but the quality was such as to make it most desirable in every way, and without the buildings it is safe to say such results could not have been obtained.

I may add, by way of general comment on real estate matters, that while the Superintendent notices that the company owns 147 parcels of real estate, and has 900 other parcels under mortgage, and the further fact that these properties are scattered not only through many States of this country, but over two continents, the nature of his duties made it necessary for him to place his own comment on the real estate transactions in which profits have been realized and to confine himself practically to the four parcels which he discusses; but your interests reach further, and you

Will Naturally Be Pleased

to learn in this way, not only the relation of the items criticized to the company's total holdings, but also the circumstances surrounding each case. If these related facts tell you anything it is the probable existence, to-day, of a surplus largely in excess of $15,000,000. We all accept the Superintendent's figures, yet as you and I are peculiarly interested in the whole case, we are permitted between ourselves to view the possible effect of these facts. Suppose, for example, that the Superintendent had accepted the well-known opinion of one of the heaviest holders of New York real estate as to the value of the Plaza Hotel—$2,750,000—and that he had accepted the value of our home office building on a rental basis of 5 per cent net, and that he had accepted the higher figures of the inspectors of the Credit Foncier as to the value of the Paris property, his net reductions on real estate including his heavy deductions on Holbrook Hall, would have been only $429,309 25. This alone would increase our surplus $800,000.

Agency Management.

Under the head "funds of agency management," the Superintendent of Insurance says that funds of the company to the extent of hundreds of thousands of dollars have been advanced to these agents without interest and upon insufficient security. To persons unfamiliar with the life insurance business his statement would seem to indicate the worst possible management of our agency department. The facts, therefore, need to be fully explained. The general system upon which advances have been made to agents by this company and by other life companies may be illustrated as follows, (the figures used being merely illustrations and not the terms of any actual existing contract): The company, I will say, enters into a contract with Brown, who is general agent for a State, that he shall receive a commission of 25 per cent of the first year's premium on all policies placed by him, and a renewal commission of 5 per cent on each renewal premium paid on such policies.

A New Arrangement Made Necessary.

Brown, of course, finds it necessary to employ Jones and others as sub-agents, and he ordinarily pays them the 25 per cent commission allowed him by the company on first year premiums. Brown relies upon his renewal commissions for his own compensation, but while he continues in active service he is frequently allowed to draw a fixed amount against commissions for his living expenses, such amount being regulated by the circumstances of the case. As competition increases Brown finds that in order to retain his sub-agent Jones, he will be obliged to pay more than 25 per cent commission. To do this Brown is obliged to make a new arrangement with the company. Instead of increasing Brown's first year commission the company agrees to advance to him a sum equal to two renewals "or 10 per cent on business" secured by Jones, and to hold all of Brown's future renewal commissions under the contract as security for the advance. Brown is now able to pay Jones 35 per cent commission, and so retain his services. But at the end of the year Brown is apparently indebted to the company in an amount equal to 10 per cent of all first year's premiums secured by Jones, and the larger the business the larger the apparent debt. This will continue until such time as the old business kept on the books greatly exceeds the amount of new business annually done. In a rapidly increasing business annually this result will not be reached for several years, but if the total amount paid to Brown has not exceeded what the business was actually worth the time will come when the commissions accruing under his contract will exceed the total cost of the year's business.

Disappearance of the Indebtedness.

Brown's business from this time forth will require a less expenditure on the part of the company in proportion to its volume than heretofore, and his so-called indebtedness, as it appears under his contract, will disappear more rapidly than it accumulated, at which time Brown will realize the profit for which he has worked. The company having already paid for this business in large part, will have a lower expense ratio to this extent in the future, and its surplus will be correspondingly increased. You will notice that this debt does not represent money which Brown has squandered or retained for his own uses. He has simply used the money to carry on the company's business. If it should ever happen that Brown's renewal commissions fail to cancel the debt, the business has simply cost the company what it cost Brown, and the company has taken good care that the total amount of commissions and advance received by Brown should never be a sum greater than the new business secured by him was worth.

One L. C. Vanuxem & Co.

The Superintendent criticises the agency of Messrs. L. C. Vanuxem & Co., at Philadelphia, Pa., and alleges a debt to the company on account of what he terms "extravagant allowances" of several hundred thousand dollars. Referring to the illustration above of the method on which a general agent's business is conducted and the manner in which an apparent debt might be contracted, when I state that from 1887 to 1891, inclusive, this firm wrote business aggregating $132,000,000, a clear explanation is afforded you of how, under the above practice a large debt might appear to exist. In this particular agency the advance contemplated in our illustration took on various forms, under various contracts, "which, however," were always subject to our approval. Against the commissions earned, and to be earned, the members of this firm drew advances for living expenses, as before referred to, and advances on account were made to some sub-agents, but at no time has the amount of money advanced to L. C. Vanuxem & Co. exceeded the value of their entire business. Under this system of organization it has been possible for a single firm to

Handle a Large Territory,

and by creating a renewal interest "in this case of very large proportion." We have avoided frequent changes in general agents and have largely escaped the danger of having our business carried to other companies by an agent whose interest in any given policy ceased with the first year of its existence. In this way Messrs. L. C. Vanuxem & Co. have done for years a larger business than the entire new business of several of the smaller life insurance companies and the largest business of any single agency in the United States. It has been done at a not unreasonable expense, and the cost of its procurement has been included each year in the disbursements of the company. The whole theory of this organization and the purpose of the advance is: First, to produce a large business, and secondly, to create an incentive for the general agent or manager to procure business at the lowest possible cost, in order that after a period of years he may begin to realize a return commensurate with the work done.

A Sub-Ledger Needed.

As the cost of the business is charged off each year, it becomes necessary to keep with the manager a blotter or sub-ledger, and the items are all brought forward from time to time. Of course, this under the illustration would show for an office doing twenty millions of new business in a year and for a series of years, a large apparent debt and the superintendent of insurance, instead of viewing the business as we have done as simply business paid for, decided to go into this sub-ledger and spread before you the apparent debt. It is of first importance that you understand clearly that this money is not due from L. C. Vanuxem & Co. In the ordinary acceptance of the word (debt) it is due under the terms of their contract at such time as the commissions earned on the business done will liquidate the money advanced from time to time for the conduct of the business. It has not been squandered by them nor retained by them. It has not benefited them personally, and never can until as stated the earnings of their business have liquidated all moneys drawn for every purpose, under the contract, including advances and agency expenses of every kind, and here let me call your attention to

An Extremely Important Fact

which applies to all discussion of agency matters by the superintendent, and which he forgot to mention, namely: That these advances, in every case, were charged to expenses in the company's books when the advances were made, and that the company has never counted them as a part of its assets or surplus. The superintendent, therefore, instead of unearthing with great difficulty something the company desired to conceal, as he states, practically set up an arbitrary standard of what he thought our business ought to cost in any given year, and charged up as a debt the differences between his opinion and ours. It would be scarcely less unjust to the company had he alleged, in any given year, that the aggregate amount paid for the procurement of its business of that year was one or two millions too large, and in his report had set this up as a sum due from the men to whom it was paid.

Right here I desire to state, and I state it with all due respect for the opinion of the official with whose conclusions I differ, that in matters of this character the conclusions of men who have had 30 years' experience in this business as to the propriety of paying a given sum for a given volume of business (they alone being conversant with the surrounding circumstances and contingencies) are as likely to be correct and in the interests of policy holders, as the opinion of a gentleman who, while eminently qualified for the duties of his office, cannot be credited with special knowledge in the particular interests now under discussion.

Spanish-American Department.

The Superintendent naturally treats at some length the affairs of the Spanish-American department. The invitation extended to him by our board of trustees to examine the condition of this company was called out chiefly by an incorrect and misleading statement relative to an alleged defalcation by one of its managers, for which the company, it was stated, alone must suffer. I shall refer principally in the matters discussed by the Superintendent under this head, to this central and to you most important question. It is a fact that Mr. J. Merzbacher, one of the managers at that time of the Spanish-American department, became a defaulter for a large amount. The statement as originally published, that Mr. Merzbacher defaulted direct to the company, was an error. Under the contract which we had with the two managers of the Spanish-American department, each became responsible for the actions of both, and Mr. Sanchez, of the other, general manager at that time and the manager of the Spanish-American department at the present time, accepted, under the terms of his contract, full responsibility for the Merzbacher shortage. This shortage consists of two parts: A direct theft by Mr. Merzbacher from Mr. Sanchez of $419,822 92, and $119,059 10 which was an overpayment by Mr. Merzbacher to the former general manager of the Spanish-American department."

Some of the Shortage Made Up.

Since the date on which the accounts were made up and the shortage definitely determined, the item of $119,059 10 has been considerably reduced on the books of the company by accrued renewal commissions retained by Mr. Sanchez, and by him turned over to the company in cash. The larger item, representing the money appropriated for his personal use by Merzbacher, has been reduced since December 31, 1890, by $166,671 89, leaving a balance due January 1, 1892, of $253,151 03. The actual net profits for the year 1891 to this department have not yet been fully determined, but its balance sheet shows that they will not fall short of $100,000. This leaves the balance due the company on this account on this date a sum but little excess of $150,000, for which the company also holds abundant security. The superintendent closes his review of the Spanish-American department with these words: "From the foregoing facts, we must conclude that Sanchez and Merzbacher were treated with a degree of liberality, inconsistent with the best interests of the company. That conclusion is not correct. The department has always been eminently successful, and its business has been obtained at normal cost.

As to S. L. Dinkelspiel.

The Superintendent expresses the opinion that S. L. Dinkelspiel was retained too long as an agent of the company. Mr. Dinkelspiel secured for us a large amount of desirable business. The men whom he insured were among the wealthiest and most influential in the cities where he worked. It came to my knowledge, however, after a time, that his business methods were objectionable, and for that reason, in the year 1889, his agency terminated. Mr. Dinkelspiel's contract comes under the general illustration cited above, except that he was a personal solicitor only, and many modifications were made to enable him to handle the peculiar class of business which he wrote. Advances were made for the same purpose. It is probable, however, that while there is to-day on our books a large volume of business of the best quality written by Mr. Dinkelspiel, a reasonable renewal interest will not finally liquidate the advances made, and that this business will ultimately cost us more than it should. For any error in judgment in employing this man, as well as for any ultimate loss, I do not desire to escape from any proper responsibility.

Two Other Questions Raised.

Mr. Loomis L. White, the Superintendent of Insurance, discusses at some length the relations which have existed for about 16 years between the New York Life Insurance Company and Mr. Loomis L. White, a member of its Board of Trustees and of its Finance Committee, and two questions are raised. First, as to whether or not a firm, a member of which was a member of the company's Board of Trustees and of its Finance Committee, could act for it as broker without having the opinions of such trustee as to the value of securities colored by the probable commission which the firm would receive on such transactions. Second, whether or not the company had the right to purchase securities through such firm of brokers.

The first question may be briefly disposed of without discussion by a simple statement of the results. In the years covered by Mr. White's connection with the New York Life Insurance Company about $52,000,000 of securities have been purchased by the company's Finance Committee and a considerable proportion of this through the firm of which Mr. White is a member, Messrs. Loomis L. White & Co., and on the 30th of June last the Superintendent, after valuing these securities

At a Time of Depression,

found them worth to the company something more than $3,000,000 above the cost value at which they are carried on the company's books. Such a result is the Finance Committee's action and in so far as Mr. White's action influenced it, is an evidence of the value to the company of this connection. The second question is one on which opinions of counsel differ.

I have reviewed now with you the graver criticisms of the Superintendent's report. I shall stop here. I realize that there are other criticisms which I have not referred to, and I do not deem it necessary to do so. I have tried to present to you fairly the facts concerning those of most importance, and I believe I have shown you that, while there have been errors in the management of this company, there has been no betrayal of trust. A full criticism of errors with an equally full statement of management deserving commendation would have been only fair to you and perfectly satisfactory to me, however severe these criticisms might have been; but the Superintendent of Insurance, who was invited to examine the condition of this company, while properly criticising whatever he deemed criticisable, omitted to state

The Other Side of the Case,

and, in addition, unfortunately, so stated his criticisms as to make it probable that you may have misunderstood and overrated their importance. I desire to reiterate my disclaimer of infallibility, and repeat the message sent from Europe last summer, that "In business of our magnitude mistakes are inevitable, and we compare favorably with others; but my integrity of purpose cannot be shaken. General net results are the touchstones in every business."

We need not go far to find confirmation of this. Errors have been made, perhaps, in the management of every company doing business, but as there are some of common notoriety, I may refer to them without seeming to attack the companies themselves. In addition I will say that to the best of my knowledge and belief all of these cases are natural experiences, incident to the fact that

No One Is Infallible.

The Connecticut Mutual lost outright $440,000 through the defalcation of its financial correspondent at Indianapolis in 1888. The Mutual Benefit Life Insurance Company of Newark, N. J., a company eminently conservative in all things, lost about the same amount on Elizabeth, N. J., bonds. It is a well-known fact that the Equitable Life Assurance Society marked off in 1889 and 1890 almost $1,000,000 on real estate, and that it carries nearly $2,000,000 in its published statement of assets and surplus as "commuted commissions," agency balances, etc., which is practically another form of expressing what the Superintendent calls a "debt" in the case of L. C. Vanuxem & Co. In the report of the department examination of the the Mutual Life Insurance Company, made in 1889, it was stated that $989,701 43 had been charged off to profit and loss on account of its office buildings. After naming these cases (and others might be referred to) we have simply recited a list of average errors which, in proportion to the interest at stake, represent less loss than the experience of any business of which I have knowledge and with which the management of the New York Life Insurance Company invites comparison.

Evil Practices Referred to.

I referred in one of the opening paragraphs of this letter to the new and larger responsibilities which have been met to the best of our ability within ten years. Among these has been the growth of certain evil practices in the conduct of the business of life insurance. Several suggestions for their remedy have been offered, but for their complete reform it does not seem to me that any adequate remedy has yet been named. The worst practices, the most demoralizing and in every way the most reprehensible, are the giving of rebates to the insurers and the more or less constant attempts of companies to entice into their own service the agents of competitors. This is a natural result of fierce competition, and in my judgment should be speedily eliminated; and it seems to me that the one and all sufficient remedy would be (and I desire to go on record as indorsing that plan) to limit by statute the amount of insurance that a company shall place upon its books. That amount having been reached the incentive of that company for obtaining new business is entirely taken away and it is practically eliminated from the contest. This might disappoint ambitious managers, (myself included,) but from the point of view of a citizen it would be altogether beneficial. Such a law would tend to give the younger and smaller companies a better opportunity to grow and would greatly strengthen and extend the beneficent work of life insurance by at once curtailing errors in the conduct of the business and widening the field of operations.

A Few Words in Conclusion.

In conclusion let me say: When my official relations with the New York Life Insurance Company began, 29 years ago, its assets after 18 years of existence were less than $3,000,000 and its surplus less than $200,000. Its history since its officially determined assets, June 30 last, of $120,000,000, its $15,000,000 in surplus and its annual income of over $30,000,000, I submit to your impartial judgment as the achievement of my associates and myself during the administration of our trust.

I remain, yours faithfully,
WILLIAM H. BEERS, President.

Arranging for the Spring Work.

Colonel John Y. Culyer and Chief Bigelow intend to look over the ground to-day at the park entrance for the library building. The Colonel agrees with the Chief that the proposed building is a little too long to harmonize with the surroundings. He said he was now preparing for the spring work and completing the decorations on the bluff. He adds that Schenley Park will be very beautiful and a credit to the city when all the improvements have been made.

HORSFORD'S ACID PHOSPHATE

For Impaired Vitality

And weakened energy, is wonderfully successful.

THE NEXT MORNING I FEEL BRIGHT AND NEW AND MY COMPLEXION IS BETTER.

My doctor says it acts gently on the stomach, liver and kidneys, and is a pleasant laxative. This drink is made from herbs, and is prepared for use as easily as tea. It is called

LANE'S MEDICINE

All druggists sell it at 50c. and $1.00 per package. Buy one to-day. Lane's Family Medicine moves the bowels each day. In order to be healthy, this is necessary.

de23-24-rwrhs

The Weakness

And prostration, like that tired feeling, so sure to follow the Grip, is really the most dangerous stage of the disease and can only be overcome by taking a good tonic medicine like

Hood's Sarsaparilla

Which builds up the whole system, purifies the blood and prevents relapse and attacks of other diseases. Be sure to get Hood's.

Severe Struggle with the Grip---Postmaster Foster,

Of Lubec, Me., says regarding Hood's Sarsaparilla: "Last spring I had a severe attack of the Grip which left me in a very feeble condition. I had no appetite, was nervous, and was in a poor way generally. I was advised to take

Hood's Sarsaparilla

And in a few days I began to improve. My appetite increased till it seemed that I could not get enough to eat. When I had taken three bottles I felt as well as ever, and I may say better than ever. I heartily recommend Hood's Sarsaparilla."

HOOD'S PILLS are purely vegetable and are the best family cathartic.

Liebig COMPANY'S Extract of Beef.

Do you want a cup of BEEF TEA? See that it is made from the GENUINE. Incomparably the best. Pure, palatable, refreshing. Dissolves clearly.

See Baron Liebig's signature in blue on each label, thus: J. v. Liebig

ja18

AMUSEMENTS.

FOURTEENTH

Annual Benefit

OF

PITTSBURG LODGE NO. 11, B. P. O. ELKS,

FRIDAY AFTERNOON, FEB. 5, 1892,

AT

GRAND OPERA HOUSE

Attractions From All Theaters.

Don't fail to be with us.

Tickets exchanged for reserved seats Thursday morning, Feb. 4, at 9 o'clock.

fe3-88

Bijou THEATRE

This Week—Matinees Wednesday and Saturday.

MR. POTTER OF TEXAS.

February 8—Kate Castleton in "The Dazzler." fe1-31

GRAND OPERA HOUSE.

TO-NIGHT.

MATINEES WEDNESDAY and SATURDAY

MARIE HUBERT FROHMAN. THE WITCH.

Prices, 15c, 25c, 50c, 75c.

Wednesday and Saturday Matinees, 25c, 50c, Reserved.

Next week—Thos W. Keene in repertoire. ja31-65

DUQUESNE. Pittsburg's Leading Theater.

AGNES HUNTINGTON OPERA COMPANY

TO-NIGHT, CAPTAIN THERESE. THURSDAY, FRIDAY, SATURDAY EVENINGS AND SATURDAY MATINEE PAUL JONES.

Next week—ROSINA VOKES. fe3

THE ALVIN THEATER.

CHARLES L. DAVIS, Owner and Manager.

To-night, Wednesday and Saturday Matinees,

SOL SMITH RUSSELL,

—IN—

PEACEFUL VALLEY.

Next week—OLD HOMESTEAD. fe1-60

ART EXHIBITION—ADMISSION FREE. Pittsburg School of Design for Women, Penn Building, 706 Penn avenue. The exhibition opens on Tuesday, February 2, and continues until Saturday, February 6, inclusive from 10 A. M. to 5 P. M. The spring term begins February 9.

fe2-19 A. W. HENDERSON, Principal.

HARRY WILLIAMS' ACADEMY—

To-night, Matinees Tuesday, Thursday and Saturday,

WEBER & FIELDS' OWN VAUDEVILLE CO. ja31-19

SPECIAL---JUST IN.

200 pieces of All-Wool DRESS GOODS, 38 inches wide, in all the latest spring colors—Checks, Plaids, Stripes and Cheviot Effects—which for quality and style far surpass anything ever shown in this market before AT

50c PER YARD.

Hundreds of pieces of New Wash Dress Goods and Ginghams from 8c to 37½c per yard.

Handsome New Figured Surah and India Silks just received.

DOUGLAS & MACKIE,

151, 153 and 155 Federal Street, Allegheny, Pa.

fe1-MWF

A REASON FOR IT! LOW PRICES.

The unparalleled success of our annual clearance sale can only be accounted for by the low prices that prevail in every department in Carpets. We are offering unheard-of bargains. Moquettes which we have been holding at $1 25 we now offer at 85c. Remnants in 10 and 20-yard lengths. Ingrain Tapestry and Body Brussels at half price.

In Furniture we are offering Bedroom Suits, Dining Room Suits, Hat Racks and a complete line of Housefurnishing Goods at manufacturers' prices. These are last fall's goods and must be sold to make room for new spring stock.

CASH **KEECH,** CREDIT

923, 925, 927 PENN AVE, - NEAR NINTH STREET

OPEN SATURDAY EVENINGS. ja23-MWF

NEW ADVERTISEMENTS.

KAUFMANNS'

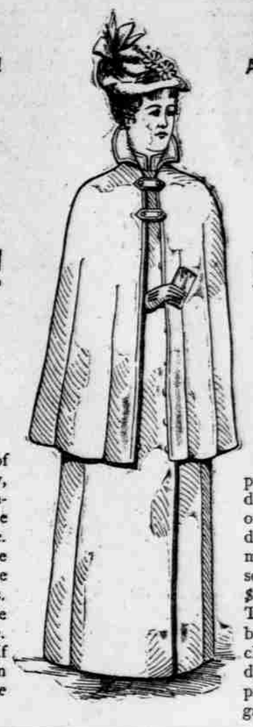
CLOAK DEPARTMENT ATTRACTIONS:

ALL THE GO! ALL THE RAGE! ALL THE STYLE!

ENGLISH MILITARY CAPE NEWMARKETS!

$11.

A large variety of these very new, nobby, convenient and becoming garments to choose from at this price. They are made of fine Scotch Cheviots in the new navy blue shades. You'll pay $20 for the same thing elsewhere. $11 is OUR price. If the saving of $9 is an object to you, come to us.



ANOTHER CUT, AND A DEEP ONE! A VERY DEEP ONE!

FINE ALL WOOL NEWMARKETS!

$3.

Not only a few at this price, but several hundred, and the cheapest one in the lot marked down from $10, while many were originally sold at $12, $15, $18, $20. And, now, ladies, THREE DOLLARS buys your choice. The cloth alone is worth double and treble the price you pay for the garment all made up.

ANY FUR TRIMMED JACKET **$8.75** BEST FUR TRIMMED JACKETS.

Ladies, this offer is our GRAND FINALE. Come in this week and take any Fur-Trimmed Jacket in the house for $8.75.

$25 FUR-TRIMMED JACKETS,
$22 FUR-TRIMMED JACKETS,
$20 FUR-TRIMMED JACKETS,
$18 FUR-TRIMMED JACKETS,
$15 FUR-TRIMMED JACKETS,
$12 FUR-TRIMMED JACKETS,

ALL AT $8.75.

This is the last and best chance to get fine Fur-Trimmed Jackets not for nothing, but as near to nothing as they'll ever be.

JACKETS 600 MORE **AT $1.**

This day last week we had 1,300 of them—to-day only 600. Next week we'll have none. Take the hint and come at once. Among these $1 Jackets you'll find all kinds of materials and styles—many having been marked down from $4, $5, $6 and $7.

THE CHILDREN'S REEFER SALE

Is another attraction such as we, AND WE ONLY, can offer. All the Reefers are now exhibited on three counters, from which we offer choice at $1, $2 and $3, respectively.

On the $1 Counter You Will Find