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HISTORY
OF
THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA
(INDUSTRIAL INSURANCE)

1875-1900

BY
FREDERICK L. HOFFMAN, F. S. S.

STATISTICIAN OF
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

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PREFACE.

THIS work has been prepared at the request of the United States Commissioner to the Paris Exposition of 1900, as part of an exhibit of charts, diagrams and statistics illustrating fully the methods and results of Industrial insurance in the United States, as represented in the history of The Prudential Insurance Company of America. The time at my command for the preparation of this work having been very limited, I can hardly hope to have succeeded in presenting the subject in all its essential aspects to the full satisfaction of the reader, but every effort has been made to meet ordinary requirements for information and data on a subject here, for the first time, dealt with on a somewhat extensive scale. In view of the fact that The Prudential Insurance Company of America was the first company organized in this country for the transaction of an Industrial business on the plan of The Prudential Assurance Company of England, I believe that it can be said, with perfect justice, that the history of The Prudential is the history of American Industrial insurance ; for in all measures, methods and results, the Company has not only had its proper share, but it has ever made the most determined effort to hold the first place among American life companies, as a progressive institution vitally interested in everything tending to make the business with which its name is inseparably associated the most successful of its kind, and to offer the most satisfactory form of insurance to the people, who now, to the extent of more than three and a half millions, are its patrons and policy-holders. I have been compelled, for want of space, to limit myself to the barest recital of the historical facts pertaining to

the early history of the Company itself, and practically everything of a personal character relating to Mr. John F. Dryden, Dr. Leslie D. Ward and other early and present officers of the Company has been omitted to allow for as wide a discussion of general facts as possible. I feel very keenly the imperfect manner in which I have done justice to the men to whose energy, skill and abiding faith the Prudential Company and Industrial insurance in general owe so large a share of the wonderful success which has been achieved, but under the circumstances referred to, no other course was possible without injury to the undertaking as a whole.

For similar reasons I have been compelled to deal very briefly with the early history of workmen's associations for life-insurance purposes, with the worthy object of providing for uncertain contingencies by means of fraternal associations, guilds, burial clubs or friendly societies, from the latter of which the present form of Industrial insurance is able to trace its origin by an unbroken chain of historic evidence. This limitation is much to be regretted, since many of the works dealing with the subject, or its related aspects, are difficult of access to the general reader, while others are practically out of print, and to be found only in the larger libraries of New York and Boston. For a complete understanding of the causes which have been productive of such vast results in the development of modern Industrial insurance, the reader should make himself familiar with the works of Cornelius Walford on Guilds and Friendly Societies, and with the large number of Parliamentary reports on Friendly Societies and Industrial Insurance Companies, on Old-Age Pensions, Compulsory Insurance and the Life Insurance of Children, published during the period 1825-1899. To these must be added the exceedingly valuable paper of Mr. Harben on "The History of Industrial Assurance," published in 1871; "The History of The Prudential Assurance Company," published in 1880; Baernreither's work on "English Associations of Workingmen"; T. Mackay on "The

English Poor" and "Insurance and Saving"; and C. H. E. Rea's paper on "Some Observations on Industrial Assurance," published in the *Journal of the Institute of Actuaries*, July, 1898. For this country the information is much more limited, but the student should not fail to read the address of Mr. Dryden before the Massachusetts Legislature in 1895, and the March, 1898, number of the *Charities Review*, containing an excellent paper on the subject of Industrial Insurance by Mr. Haley Fiske, the Vice-President of the Metropolitan Life Insurance Company. A valuable address on Industrial Insurance was made by Mr. John R. Hegeman, the president of the last-named company, at the annual meeting of Insurance Commissioners at Milwaukee, September, 1898, but the paper, not being in general circulation, must be applied for at the office of the company. Other information and minor publications can be obtained free on application to any one of the larger Industrial companies, while the general subject of workingmen's insurance can best be studied in Mr. Willoughby's "Workingmen's Insurance," and the United States Labor Report on "Compulsory Insurance in Germany."

Had space permitted, I would have added to this volume a bibliography of works and articles in periodical literature, but the few references given will indicate sources from which valuable material for the study of this most modern form of life insurance can be derived. Some of the more important articles can easily be traced through Poole's index of periodical literature, under the titles of Insurance, Life Insurance, Industrial Insurance, Child Insurance, etc., while a brief discussion of controversial matter can be found in "The Development of Thrift," by Miss Mary Willcox Brown (New York, 1899).

This work would have been impossible but for two facts, which may be mentioned in explanation of some points otherwise likely to be imperfectly understood. The writer has, for a number of years, been engaged in the collection of material for a larger and more complete work on Industrial insurance in this

and other countries, and from the partly completed manuscript of the larger work this sketch has been prepared to meet the wishes of the United States Commissioner to the Paris Exposition. It is, therefore, more than probable that within a few years this book will be followed by another of a more satisfactory nature, supplementing many matters here imperfectly dealt with. Another factor of some importance, and one which is only too often absent in similar discussions of social and economic problems, is that the writer has had many years of actual field experience, having commenced his connection with the business as an agent, successively filling the higher positions of assistant and superintendent in charge of districts in the East, West and South. I have thus had exceptional opportunities to verify field observations by extensive office investigations, and I may add that there is not in this work a single statement of fact or theory which has not the support of personal observation and experience. On account of the peculiar nature of the business of Industrial insurance, the relations of agents to policy-holders are so very close and personal that there is little of importance affecting the daily life and struggle of working people that fails to come to the knowledge of the intelligent observer who, week after week, calls upon the same people for the purpose of collecting the weekly premiums. Their difficulties, trials, hardships and final successes are known to him; he is their friend and they are his friends, and he is often their adviser, counsellor and aid in emergencies. Coming in such close contact with hundreds of thousands of our wage-earners of all types and nationalities, engaged in every occupation, the Industrial agent has opportunities for study and observation which fall to the lot of only the very few, and I can not but think that in the light of this personal experience I may be pardoned for having at times expressed myself with exceptional emphasis in favor of the character of our industrial population and its struggle for economic independence. I am convinced that if those who think ill of the masses, and

who see in their humble endeavors little deserving¹ of praise and much to blame, would go and really live among the plain people, they would soon realize that beneath all of the apparent sordidness and selfishness there lies much nobility of effort and of aim. The more I have seen of working people, the more I have learned to respect their motives, their efforts and the results of their struggle, and the less, I acknowledge with shame, do I think of the efforts and results of those who, under vastly better conditions, with far greater opportunities, fall materially short of what, by a reasonable standard, we have a right to expect.

In the preparation of this volume I have been materially aided by the editors and publishers of a number of our more important insurance publications, especially Mr. Walter S. Nichols, of the *Insurance Monitor*; Mr. Clifford Thomson, of the *Spectator*; Mr. J. A. Fowler, of the *Exchange and Review*; and the editor of the *Weekly Underwriter*, who have been good enough to extend to me the loan of their complete files, extending in some instances over a period of more than fifty years.

I am also under obligations to the Insurance Commissioners of the various States for valuable data and information relative to the results of official investigations into the practice of Industrial insurance; to the Health and Charity officials of nearly all the States and large cities for valuable statistics and data indirectly relating to the business; to Mr. Julius Clarke, of West Newton, Mass., and Mr. John E. Clark, of New Haven, Conn., for information relating to the early history of the business in this country; to Mr. John K. Gore, the Actuary of The Prudential, and Mr. F. S. Crum, my associate in office, for the reading of the manuscript of this work and valuable aid and suggestions which have materially diminished the possibility of occasional errors and unintentional misstatements. But most of all, I am under a debt of gratitude to Mr. John F. Dryden and Dr. Leslie D. Ward, respectively the President and Vice-President of The Prudential, for complete freedom in making use of the records and archives of the Company

and for every possible aid in making this work one of interest and value to the student of Industrial insurance and its relation to the general progress of the industrial population of this country. I trust that I have discharged my duty to the satisfaction of those into whose hands this volume may fall ; that I have not materially fallen short in my effort to do justice to the founders of the Company, who have made Industrial insurance the business success of the age ; and that I have done equal justice to the millions of honest, high-minded men and women who are the patrons, as they are the policy-holders and true makers of The Prudential Insurance Company of America.

F. L. H.

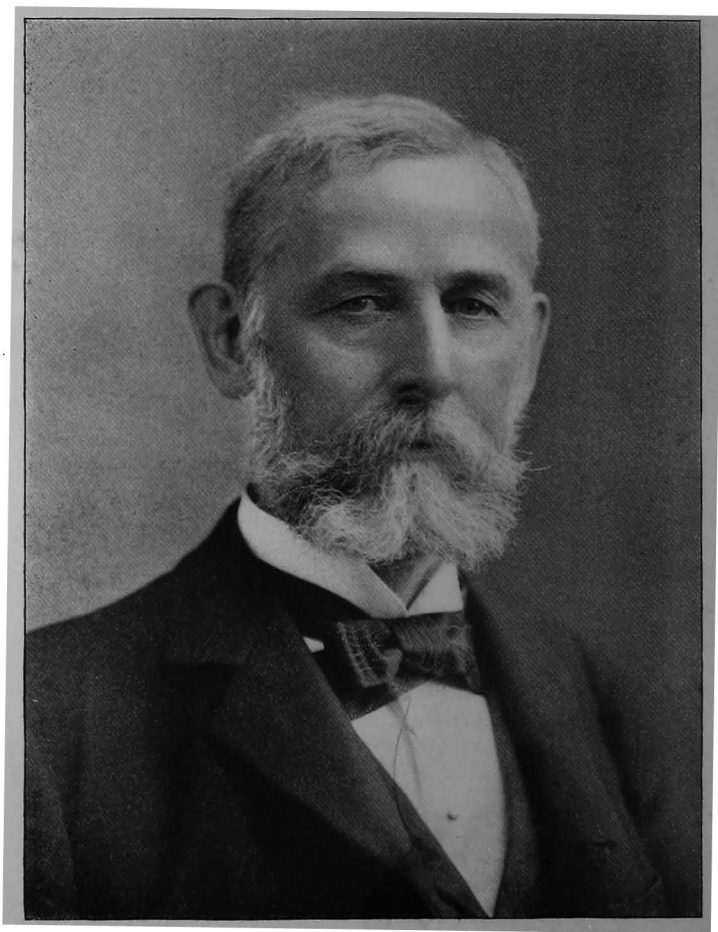
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John F. Dryden

HISTORY

OF

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

CHAPTER I.

INTRODUCTION.

The history of The Prudential Insurance Company is, in a large measure, the history of Industrial insurance in America. Founded in 1875 by Mr. John F. Dryden, the present President of the Company, it was the first organization of its kind to practically demonstrate the possibility of extending the benefits of life insurance to the masses, and the first to demonstrate to the industrial population that life-insurance principles, properly applied, could be made to serve the useful purpose of providing for the burial expenses of every member of the family, in return for a small weekly charge collected from the house of the insured. Mr. Dryden was the first among a number of American insurance managers to put to a successful test the methods of the British Prudential Assurance Company, and the first to recognize the possibilities of family insurance on the Industrial plan in the United States. All efforts in this direction previous to 1875 had failed; every variety of co-operative or other form of workingmen's insurance had been tried and found wanting, and, instead of acting as an incentive to savings and thrift, these forms of pseudo-insurance had acted as a direct discouragement, and, instead of tending to diminish pauperism and want, these organizations, on account of their inherent worthlessness, were partly responsible for an amount of out-door relief and public support in illness and at death such as has not been known

since Industrial insurance became an active factor in the social economy of the American population.

Recognizing that "Political Economy" is concerned with the facts of industrial life" and that "this involves a treatment of past industrial life, the forces which have been at work and which have made it what it is to-day,"* I have largely confined my sketch to a statement of the underlying causes making for the establishment of The Prudential and the subsequent development and present success of Industrial insurance in America.

It has justly been said, by a great French writer on English history and civilization, that "Whoever attentively considers the English turn of mind will be struck by the fact of a twofold nature: on one side practical ability, and on the other the absence of general ideas and elevation of mind on purely theoretical questions," and, "whether we turn to works on history or jurisprudence or any other subject, we rarely find that the great fundamental causes of things have been investigated." These remarks of Guizot apply with special force to the history of life insurance and in particular to that modern branch of the business which is to-day, the English-speaking world over, known by millions of working people as "Industrial Insurance."

With this idea in mind, the following sketch has been prepared as a contribution towards a better study of the all-important problem of life insurance for the masses and a better knowledge of a form of insurance which, though familiar to millions of the industrial population, is practically unknown to even the most thoroughly informed students of sociology and political economy. While Mr. Spencer could speak of Friendly Societies as the most familiar instances of co-operation among working people, and rightly included "certain other bodies of kindred natures, chiefly burial societies" and "Industrial Assurance Societies; doing for the poor what the more conspicuous institutions for averaging the risks of fire, accidents, etc., do for the better off," † it is only too true that this form of insurance, of saving and thrift has almost completely escaped the notice of the economist and been practically ignored by writers on what Mr. Spencer has so well defined as forms of "social structure."

* Richard T. Ely, *Problems of To-Day*, p. 100.

† *Principles of Sociology*, Vol. III., p 556.

Industrial insurance differs from ordinary level-premium life insurance in the following four essential points: first, the premiums are payable weekly, instead of being payable quarterly, semi-annually or annually; second, the premiums are collected from the house of the insured by an agent of the company, instead of being payable at the office of the company; third, the amounts of insurance are adjusted to the unit premium, instead of the premium being adjusted to the amount—that is, in Industrial insurance certain amounts of insurance can be purchased for a premium of five cents per week or multiples thereof, while in Ordinary insurance the amount is in round numbers and usually in multiples of one thousand dollars; fourth, every member of the family can be insured for a small premium, while in Ordinary insurance, as a rule, only the head of the family is insured for a proportionately large amount.

In the sense of this definition Industrial insurance is practically *mass* insurance, while Ordinary insurance is, in a measure, *class* insurance, and the popularity of the former and its extent may be attributed to the fact that, for reasons inherent in the four cardinal principles, the system provides for contingencies and acts as a protection against uncertainties which are not provided for by any other form of saving or of thrift. Combining with all the elements of security of Ordinary level-premium companies a convenience or propinquity in the manner of paying the premiums from week to week out of weekly wages, the method of Industrial insurance has thus far been proven to be best adapted to the wants and convenience of the industrial population; hence the term "Industrial," which has from the beginning distinguished, and properly so, this form of insurance from life insurance on the Ordinary plan for the more prosperous elements of the population. The business was called "Industrial" by the first company which attempted to develop the system in England, in 1849,—that is, "The Industrial and General"; and while most of the companies transacting this form of insurance are at the same time transacting an Ordinary business, often reaching vast proportions, the Industrial part of the business is always separately managed and separately valued, with its funds separately invested, similar to the manner in which the business and funds of English Fire and Life companies are kept apart.

Having defined the principles of Industrial insurance, I add here a brief definition of its immediate and remote objects, which will partly explain its wonderful success from a purely business standpoint of financial importance. The underlying purpose of Industrial insurance is to provide for the expenses of burial and the cost of the last illness of every member of the family, and thus make unnecessary the assistance of the State or of charitable agencies in meeting a call for funds at a time when such funds are needed most. The abhorrence of pauper support, especially for the burial of the dead, is a pronounced trait of every self-respecting man, and only those who are familiar with the life and the labor of the industrial masses can fairly grasp the deeper meaning of the abhorrence of a pauper burial of a member of the family in the potter's field. Only those who for years have come into intimate contact with the masses can understand the unwillingness of wage-workers, or what I have elsewhere called the industrial masses, to avail themselves of the dispensary doctor during the last illness of a father or a child; hence the readiness or willingness on the part of the masses to make use of life insurance on the Industrial plan as a method of providing for these contingencies. It has been well said by E. Demolins that "a man who is conscious of his respectability is naturally inclined to increase it,"* and, as a first step in this direction, a provision against pauper burial and pauper medical attendance must be looked upon as a most effective means to elevate or ameliorate the lot of the average man.

To understand this trait—for such it is—among Anglo-Saxon peoples, it is necessary to take into account Germanic origins which have remained race traits up to the present time. To bury the dead was an ancient obligation, and even in the early days of the Northmen there is recorded a famous passage in the "Edda" which mentions "the different deaths which men may die," and which contains the counsel and demand "That thou give the dead man burial wherever thou shalt find him." According to Tacitus, "Funerals among the Germans" of his day "were of the highest importance," and in the words of Mr. Gummere, from whose work I have just quoted, "Whatever is sanctioned by religion and dateless customs comes to be regarded as a virtue," and by the same author, in another passage, "it seems reasonable to infer

* Anglo-Saxon Superiority, p. 183.

for the whole Germanic race a general sense of the immense importance of funeral-rites."* This respect for the memory of the dead became in time an obligation for survivors to make proper provision for the burial of the departed, and is met with among all peoples and at all times, but most so among the early Romans, the Germans and the English, where we find abundant proof of an ever-present recognition of the decent burial of the dead as a social duty which had to be discharged, even though other duties had, for the time being, to be ignored.

In most of the charters of ancient associations, the Roman *Collegia* and the *Gilds* of the middle ages, provision was made for the burial of the dead as one of the most important duties to be discharged by one member of the association towards the other. After the destruction of the *Gilds* by Henry VIII., *Friendly Societies* and *Burial Clubs* came into existence, largely for the purpose of fulfilling one of the essential functions of the former *Gilds*—that is, the proper burial of the dead. Out of these clubs and societies *Industrial insurance* was developed in England, the first company for the purpose of transacting such a business having been founded in 1849, under the name of the "*Industrial and General*." This company was absorbed in 1854 by the *Prudential Assurance Company*, which commenced the transaction of an *Industrial business* in that year, its attention having been called to the need for such an extension of insurance principles to the masses by a Parliamentary report on "*Assurance Associations*" in 1853.†

* *Germanic Origins*, pp. 306, 321, 322.

† Report on *Assurance Associations*, London, 1853, p. vi. : "Your Committee feel that the ground[s] hitherto occupied by these useful institutions have been comparatively limited and that their application is capable of a great extension, not only in the higher and middle classes of society, but also among the humbler classes, to whom it has recently been very considerably applied; and that it is therefore very important that no check or impediment should be placed in the way of the further extension of this enterprise, not absolutely needful for the security of the public."

CHAPTER II.

EARLY WORKINGMEN'S INSURANCE IN AMERICA.

Briefly explained, the underlying purpose of Industrial insurance has its justification in an inherent trait of Anglo-Saxon peoples to make provision for the proper and respectful burial of the dead. Under the earlier forms of association, as Guilds, Fraternities or Secret Orders, this object was accomplished largely on the basis of status and a kindly spirit of brotherly regard, fully in harmony with the conditions of the time. During more recent years the condition of status has largely passed away, giving place to the condition of contract, in which sums certain are insured for in place of indefinite promises made by associations operating, contrary to their intentions, on an unscientific and unbusinesslike basis.

Modern conditions in a free democracy make it imperative that each man shall take care of his own, or, as Professor Sumner has put it, "Every man and woman in society has one big duty. That is, to take care of his or her own self. This is a social duty. For, fortunately, the matter stands so that the duty of making the best of one's self individually is not a separate thing from the duty of filling one's place in society, but the two are one, and the latter is accomplished when the former is done."* For fifty years previous to the establishment of The Prudential in the city of Newark, N. J., workingmen, in their own way and at their own cost, made efforts to provide, by means of the principle of association, for the contingencies of illness and of death. It is a long and interesting history, which has never been written and which has only rarely been touched upon by historians. That the principle of "providing by the association of the many for the contingencies likely to affect the few" is weak and inherently false when applied to life contingencies, unless the laws of human mortality, of sickness and finance

* What Social Classes Owe to Each Other, p. 113.

are properly recognized and rigorously applied, is self-evident to all familiar with the science of life insurance. The early forms of association—secret orders, as they have been called—recognized fully the general principle of association; and while they accomplished much good by its application, they failed completely the moment they added to their benefit features a life-insurance provision for a sum certain, without taking account of the laws of human mortality and finance. With all the good which these associations have accomplished, they have fallen lamentably short in this respect, and countless millions of hard-earned money have been sunk in "Fraternal Orders" or other forms of workmen's insurance associations, for which neither a fraternal or financial return has ever been made. Providing for the wants of the few at the expense of the many is a complete perversion of the principle of association, a principle fully deserving to be more completely understood and recognized by economists and writers on social problems, since it lies at the root of all modern efforts to improve the methods of production and distribution for the benefit of the masses.

Life insurance as carried on by corporations or companies is solely a question of contract, while all forms of organizations such as Fraternal Orders are either wholly or largely operated on the ancient basis of status. The former method concerns itself principally with the question of security for the performance of its accepted obligations, while the latter has for its object a multitude of aims, with but small regard for the contract or business nature of its implied obligations.* Such organizations existed in this country long before even Ordinary life insurance assumed

* This point is well brought out by Mr. Sydney Webb, perhaps the highest authority on Trades Unions, in his recently published work, "Industrial Democracy," pp. 154 and 155, where it is said that "A member who has paid a whole life-time to the sick and superannuation funds may at any moment be expelled and forfeit all claims for reasons quite unconnected with his desire for insurance in old age. Against the decision of his fellow-members there is in no case any appeal; moreover, the scale of contributions and benefits may at any time be altered even to the extent of abolishing the benefits altogether; and such alterations do, in fact, even take place in spite of all the protests of the minorities of old members. * * * It is a further aggravation that in any crisis the Trades Union, unlike the Friendly Society, regards the punctual discharge of sick and superannuation liabilities as a distinctly secondary consideration.

definite proportions, and the Odd Fellows, for instance, had a large membership before the first active American life company was organized, in 1843. Occasionally some of the principles of the system of Industrial insurance were partly recognized and partly incorporated in the various efforts to improve the condition of the masses; but, standing alone, all of such efforts came to an early end and proved useless undertakings. Thus, for example, the element of weekly saving by the weekly payment of small sums for a future contingency was recognized as early as about 1820 by the Philadelphia Fuel Saving Society, which required members to deposit weekly small sums of money to provide for the winter supply of fuel. The principle of family insurance was partly carried out in the practice of the Pennsylvania Company for the Insurance of Lives, organized in 1812, which accepted risks at ages as low as eight years, indicating that even at this early period life insurance at the younger ages was thought desirable, if for no other purpose than as an encouragement of the habits of saving and thrift in early life.

It was not, however, until 1847 that the first effort was made to provide genuine life insurance for the masses, and, while the experiment proved a failure, it is of considerable interest from an historical standpoint, as a strong indication of the early need of the masses for life insurance on the weekly-payment plan. The credit for having tried this experiment belongs to the Mutual Benefit Life Insurance Company, of Newark, N. J., which company, in 1847, offered to the less prosperous classes a policy on which premiums of twenty-five or fifty cents could be paid weekly, but, no provision having been made for the collection of the premiums, the plan proved a failure and few if any policies seem ever to have been issued. The views of this company on the subject of "Life Insurance for All" are clearly set forth in a little publication called "The American Manual of Life Insurance," in which it is stated that life insurance "is a mode of accumulation open to all classes of men in all pursuits of life," that "the merchant, the minister, the mechanic, the farmer and the laborer may all avail themselves of it to some extent with ease, and to the greatest advantage," and "it is therefore truly an investment for the millions."

To meet the demand for mass insurance at this early period, a form of association was brought into existence which in part resembled the English Friendly Societies, and in a larger part

the trading and business organizations of the present day. "Health Insurance," as it was called, attempted to provide for support in sickness and for a burial fund at death, but, without exception, all the societies of this name organized between 1845 and 1855 came to an early end, in consequence of inherent weakness and the absolute impossibility of transacting a sick-benefit business through the medium of a non-fraternal organization. Although the early health-insurance companies all came to an end by about 1855, a revival of these organizations occurred during the sixties, when in a somewhat similar form another effort was made to gain permanent public support, which, however, was again followed by failure. Very little seems to have been known in this country as to the practice of English Friendly Societies and practically nothing of the system of Industrial insurance as practiced at this time by the "Industrial and General" and the "British Industry," which commenced the Industrial business in 1852 and had by this time issued a considerable number of policies.

The first American reference to the system of Industrial insurance, as practiced in England, occurs in *Hunt's Merchant's Magazine** for 1851, in which the editor, Freeman Hunt, called attention to the recent English experiment by the "Industrial and General" in the following quotation from the *Liverpool Chronicle* :—

"We have had our attention directed to a brochure bearing the title 'What is Life Insurance?' written by the Rev. J. B. Beade. It is in the form of a dialogue between two laboring men, and is mainly calculated to show the illiterate and unthinking the great advantages offered by well-regulated and stable assurance associations. 'The Industrial and General Life Insurance and Deposit Company' has been instituted, and arranged on a plan expressly to meet the requirements of persons of limited incomes accruing at short periods. With a view of adapting it to the wants and wishes of the industrial classes, the directors have arranged to grant assurances and annuities as low as £5, at premiums payable weekly, monthly, quarterly, or annually." This, as far as I know, is the first distinct mention of the modern practice of Industrial insurance in any American publication, but the article seems to have attracted little attention and had no

* Vol. XXIV., p. 521.

influence in establishing Industrial insurance in the United States. At this time Savings Banks, Health Insurance Companies and Secret Fraternal Societies were apparently more promising and more satisfactory methods of insurance and saving, though, as a matter of fact, all forms of life insurance were looked upon with but a small degree of favor by otherwise well-informed public journals and men of influence and power.

Thus, in the year 1853, the *New York Times*, in a lengthy argument, maintained the view that "He who insures his life or health must be indeed a victim of his own folly or others' knavery," and a Mr. A. B. Johnson, a Baltimore banker and writer on economic subjects, expressed himself forcibly against the theory of life insurance and in favor of the theory and practice of savings banks, holding that all life insurance was wrong in principle and false in practice, and that savings banks alone furnished a proper means for the investment of the surplus funds of the people. It may not be out of place to give some space to Mr. Johnson's views, since they were re-published in his book on "Our American Union" in 1857.* The writer argued that "if no life insurance would provide for our families after our decease, no health insurance or club would provide for ourselves during disease, and bury us decently when dead, we should [would] provide for these purposes by self-denying accumulations." Mr. Johnson did not stop here, but quoted some English data and made the distinct charge that "Life insurance is unfavorable to domestic purity," and "in England, mothers have been convicted of murdering their infants to obtain some petty sums which certain clubs bestow for funeral expenses on members whose children die." This is, as far as I know, the first instance of the charge of child-murder for insurance money made in this country against the system of life insurance for persons of young ages. Mr. Johnson was wrong in his confusion of ideas as to English burial clubs, which never represented a distinct form of insurance associations organized on actuarial principles. He admitted that the insurance was only for decent burial purposes, and he brought no proof to support his monstrous allegation of child-murder for insurance money, an assertion made solely for the purpose of emphasizing his views and opinions in favor of

* A Guide to the Right Understanding of our American Union, N. Y., 1857, p. 263 *et seq.*

savings banks for the masses. Mr. Johnson's article attracted considerable attention, and was answered by the then President of the Mutual Life Insurance Company, Mr. J. B. Collins, who ably refuted the absurd propositions of the writer. Mr. Collins's forcible argument induced the editor of *Hunt's Magazine* to publicly disavow any responsibility for Mr. Johnson's views, and to express himself as being strongly in favor of life insurance "as a method of delivering human life from the tyranny of chance," and as a means or arrangement "by which all the insured become possessed at once, for the benefit of their survivors, of accumulated property, and in which no one, in any contingency, can be considered a loser."*

What was needed at this period was a more extensive discussion of life-insurance principles, with which the most intelligent were practically unfamiliar. Agents were rarely employed on an extensive scale by even the larger companies, and the real facts pertaining to the business seldom came to public knowledge.

One of the first public journals to give intelligent consideration to life insurance was Rhodes's *United States Advertiser*,† which in 1854 contained a lengthy dissertation on this subject, its general history, object and principles, the article concluding with the statement that "There is a wide and increasing field for the operations of life assurance in the United States, and even in the city of New York. The subject requires to be familiarized to the intelligent middle classes of the people. Much can yet be done in this country to popularize life assurance and bring it within the reach of even the humblest classes." This is, as far as I know, the first distinct plea for the extension of life-insurance principles to the industrial population of the United States. It was made at a time when all life insurance in this country was in its infancy, when the largest company in existence had only a little over 8,000 policies in force, and when the total number of policies in the United States was estimated at only 30,000.

Lack of familiarity with the English experiment in the direction of extending life insurance to the masses, and a well-founded aversion to the existing forms of so-called Health or

* Vol. XXVII., p. 541.

† *Insurance Monitor*, 1854, p. 38.

Co-operative insurance, induced the editor of *Tuckett's Insurance Journal** to advocate at this time the extension of life insurance to the masses in a manner and by a method which only during recent years has been applied with any degree of scientific accuracy. Mr. Tuckett's suggestion, that "Canvassing from home to home will furnish the largest amount of business and afford the highest amount of remuneration," made clear his conception of the value of life insurance for all, and the need of direct personal explanation to the people of the methods and objects of the business. Gradually, the view that life insurance could be made available to all of the elements of the population, the rich, the middle class and even the poor, had gained ground. By 1858 some of the leading newspapers had taken up the question, and, among others, the Boston *Herald* expressed the opinion that "There is another branch of insurance which demands more attention than it has thus far received—we mean life insurance—that is, the class of individuals whose families depend upon their daily exertion should insure their lives more frequently than they do"; and hence the conclusion that "Those who could not afford to pay for large policies could, with a little extra economy, pay the premiums upon a policy for \$1,000, or upon a policy for a few hundred, which would have been of invaluable aid to their families in case the bread-winner himself is taken away." † The suggestion of the *Herald* was fully supported by the fact that at that time the "humbler classes" did not avail themselves to any appreciable extent of life insurance on the Ordinary plan, for out of 830 new applicants in the New England Mutual Life, a Massachusetts insurance company, only thirty-one were mechanics, while the remainder were all men in well-paying positions, or men of considerable income and means. Some companies since 1840, at least, had granted insurance for sums as low as \$100, but the demand for this form of insurance had been very small. ‡ It was not merely a question of amounts, but much more a question of

* Tuckett's Insurance Journal, 1853, p. 43.

† Hunt's Merchant's Magazine, Vol. XXXVIII., p. 626.

‡ "According to an advertisement of the New York Life Insurance and Trust Company, published in Williams's New York Annual Register for 1840, life insurance was offered at ages fourteen years and upwards for sums as low as \$100."

the mode of paying the premiums, and for these improvements and the consequent introduction in this country of the Industrial plan of insurance on the weekly-premium basis, the time had not arrived in 1859. That there was an open field and large opportunity for the extension of the efforts to insure the masses was not only recognized by influential insurance and financial journals, but also by at least one of the officers of one of the large insurance companies of the day. In a speech made at a convention of life-insurance companies in 1859, Dr. R. M. Reese, Medical Examiner of the Knickerbocker Life Insurance Company, referred to the subject as follows: "I allude to the importance of greatly extending the benefits of Life Insurance among the masses, by creating public opinion, and educating the whole people into enlightened views of the duty of every man, living in a land where casualty and disease expose him to the hazard of early and even sudden death."*

By 1860 Ordinary life insurance had assumed considerable proportions, and insurance journalism had developed into a distinct branch of literature. According to the census of that year, there were, in the United States, forty-seven companies for the insurance of lives, having an aggregate amount of insurance in force of about \$180,000,000, on 60,000 lives. Among the foremost insurance journals of the period we must name the *Insurance Monitor*, a journal devoting a large amount of its space to the technical discussion of the perplexing problems confronting the life-insurance companies of this period. The *Monitor*, following *Tuckett's Journal*, had frequently argued in behalf of a more extensive development of insurance principles, but, as has been pointed out, very little had thus far been done to meet these wants, while the effort of the "Health" insurance companies had been a delusion and a fraud. In the latter part of 1860 the *Monitor*, in an article on "Life Insurance for the Poor,"† referred to the subject of insurance for the masses, as follows: "Every workingman should know that for one shilling a week—a penny more or less, according to his age—he can leave \$500 at death, and have his fair share of the profits of the company." This is, as far as I know, the first distinct attempt to interest the "poor" of this country in life-insurance questions; and while the term

* *Insurance Monitor*, June, 1859.

† *Insurance Monitor*, 1860, p. 207.

"poor" is one of indefinite meaning and wide application, we may safely assume that the writer referred to the masses of people earning weekly wages, for it will be noticed that he argues in favor of insurance based on a weekly premium of one shilling, or about twenty-five cents. This plea for workingmen's insurance on the weekly-payment plan proved, however, also a useless one, and no one seems to have considered it worth while, at this period, to undertake the transaction of this form of insurance.

By 1860 the difficulty of extending level-premium insurance to the masses had been fairly well recognized. On the one hand, it was apparent that direct solicitation, through the medium of agents, by a house-to-house canvass, was absolutely necessary to familiarize the masses with the principles and objects of insurance. On the other hand, it was equally clear that the system required modification, both in the mode of paying the premiums and in the opportunity offered for insurance for small amounts. Among others, Mr. Elizur Wright, somewhat in harmony with Mr. Tuckett, expressed himself on this question as follows: "Forethought and mutuality of effort to provide the most effectually against future contingencies are not a spontaneous growth of the human soil. It is a matter of special cultivation; *the result only of some sort of missionary labor, notwithstanding its manifest coincidence with the highest interests of all concerned.*" *

Mr. Wright clearly recognized the importance and necessity of the canvassing insurance agent, and in concluding his argument expressed himself as follows on this point: "Among the honorable workers in the civilized world to whom the public as well as the insured will die indebted, we give faithful and successful life insurance agents a high place. It is hardly possible to believe that a life insurance agent can achieve any long-continued success without bringing into action some of the noblest qualities of a sterling man, and no field that we know of is more inviting to an ambition that would devote the best of talents to the benefit of society at large and individuals in particular." †

What was true of Ordinary insurance was still more true of Industrial insurance on the weekly-payment plan. Among the industrial population practically nothing was known of the principles on which the science of insurance is founded, and of the

* Mass. Ins. Report for 1863.

† *Ibid.*

results of life insurance as they were fairly known and recognized among the more prosperous elements of the population. It is not too much to say that there was very little faith in insurance principles, and that the entire scheme of so-called "Fraternal" insurance, of "Health" insurance, or of insurance on the co-operative plan, was looked upon rather as a form of speculation or even as a game of chance, than as a legitimate method of investing surplus earnings for the purpose of providing for future contingencies. An immense amount of missionary work was necessary to acquaint the masses with the facts which would tend to make possible a universal recognition of the adequacy of insurance principles as applied to Industrial insurance on the weekly-payment plan.

In looking back over the quarter-century which has passed since Industrial insurance was successfully introduced in this country, by the establishment of The Prudential in 1875, the fact which stands out broadly as perhaps its greatest triumph is the absolute confidence of millions of working people in the financial solvency of the institutions which carry on this business at the present time. So absolute is this confidence, so firm is this faith, that it is not too much to say that in this country, as in England, the average workingman looks upon an Industrial policy as the more prosperous look upon the possession of a government bond. This much-to-be-desired result has been brought about by the careful management of representative Industrial companies, not one of which has ever failed to meet its obligations, and by the work of tens of thousands of agents, who daily carry into the homes of the people the gospel of insurance in one direction and the gospel of thrift in every other direction.

In view of the clear recognition on the part of Mr. Wright, of certain practical aspects of the insurance problem, it is rather curious that he should have failed to recognize the intrinsic value of the principles of Industrial insurance, or family insurance on the weekly-payment plan. Rather to the contrary, such references as were made by Mr. Wright, in his public reports as Insurance Commissioner of Massachusetts, to the practice of Industrial insurance in England, were adverse to its extension to the United States on the ground of its being inimical to public policy. Mr. Wright, as early as 1865,* expressed himself in

* Tenth Mass. Ins. Report, 1865.

opposition, not only to the insurance of children, but also to the insurance of persons above sixty, and, while opposed to the Industrial companies and by implication, at least, to the Friendly Societies, he fully approved of Gladstone's plan of post-office insurance, which was introduced at this period as a government measure, which, it was claimed, would produce the same results in life insurance as had been achieved in another direction through the medium of Post-Office Savings Banks, although subsequent experience, extending now over thirty-five years, has clearly proven that State trading in the direction of life insurance for the masses on a voluntary basis has been a distinct failure, in spite of the energetic efforts which have been employed to make it a success.

In his advocacy of Government Insurance Mr. Wright had the support of the *New York Times*, which endorsed the theory that the condition of the industrial masses was likely to be materially improved through the medium of Government Insurance for small amounts; but the *Insurance Monitor* properly directed attention to the fact that what was attempted by means of Government Insurance had already been accomplished by the British Prudential through its system of Industrial insurance, and that the company at that time—that is, in 1864—had already 174,000 policies in force on the weekly-payment plan. When it is considered that the largest Ordinary life company in the United States had in 1864 only a little over 12,000 policies in force, it will be readily understood that this statement of the actual progress and results of the British Prudential must have had a considerable effect on the public mind, and on reflection it must have been apparent that what was true for England was equally true for this country, namely, in the words of the *Insurance Monitor* (1864), that "the tendency of life insurance now is towards small amounts." But at this period co-operative insurance, health insurance, trade benefit societies, etc., were looked upon as more likely to accomplish for this country what the Prudential had already accomplished for England. In New York State alone, 303 mutual aid societies, for benefit in sickness and assistance at burial, had been organized during the period 1848-'66, while countless other insurance and aid associations had been organized in different parts of the country, but of all those established previous to 1865 practically none remains in existence at the present time. In making reference to one of these

extinct associations, the New York Policemen's Insurance Fund, the *Monitor* (1865, p. 191) touched upon the subject of insurance for the masses in the following words: "Life insurance in all of its forms is so great a blessing that we can never tire of recommending its features and progress, and urging it upon every class of our fellow-citizens. When everybody is insured, then, but not until then, shall we know that the voice of warning and of counsel in this respect may properly be hushed."

While emphatically in favor of insurance for the masses the *Monitor* and other insurance journals missed no opportunity to condemn the large number of impracticable schemes constantly placed before the public under the name of health insurance or co-operative insurance, all of which were inherently weak and unable to survive more than a generation at the best. Referring to the revival of health insurance at this period, the *Monitor* denounced its impracticability in words which were not likely to be misunderstood. "As health insurance in this country and in England (meaning the Friendly Societies) has proved a delusion and a snare and has terminated disastrously to the insured, consisting solely of the poorer classes, we should deplore a repetition of an experiment that has so little chance of success." Referring to the same subject, the *Spectator* in 1868 condemned the plea for health insurance as one which was "successfully and ingeniously framed, and therefore all the more dangerous." With equal emphasis, the *Insurance Times* spoke of health insurance as "founded on a fraudulent fallacy, which could only survive by deceiving and robbing the poor."

In defense of these associations it was argued by the manager of one of them that "The object is to extend the benefits of insurance to a class of people heretofore entirely neglected, and by judicious and scientific management this branch of insurance can not only be made the most secure and profitable, but it will also prove a benefactor to the working classes."

Since all of these associations were practically founded on guesswork, with no attempt to provide a financial basis for maturing obligations, it was only a question of time when failure had to take place; and of all the associations that were established at this period, of whatever name, claiming to provide insurance for the industrial masses, not a single one survives at the present time, and all these futile efforts to effect so-called cheap insurance represent an immense loss to those who could

least afford to waste their money in worthless enterprises of this kind.

It is impossible for me, for want of space, to discuss here the question of co-operative insurance and the rise and fall of these societies, as well as the cause of their inevitable insolvency and decay. They represent a dreary repetition of the well-known story of the workingmen's insurance associations of England, without the redeeming feature of workingmen's insurance on the Friendly Society plan. No more instructive lesson is furnished by life-insurance history than that which deals with the gloomy record of co-operative or other forms of associations attempting to furnish so-called life-insurance protection in defiance of life-insurance principles. Unfortunately, the very term "co-operative" has been almost universally misunderstood, and a special meaning has been attached to the word which has remained in common use up to the present time, and is likely to remain so for many years to come. As Mr. Spencer has well pointed out, "Social life *in its entirety* is carried on by co-operation, and the use of the word to distinguish a special form of social life is a narrow use of it."* But this view of Mr. Spencer has not yet found acceptance in common thought; rather to the contrary, it is the opinion of the masses, who believe in this special form of co-operation, and who agree with Professor Ely, that "Co-operation contemplates a complete though peaceful transformation of society," and that the method by which this is to be accomplished is to secure economy by the abolition of the middle-men.† Unfortunate consequences must naturally result from such confusion of principles and facts.

Originating at a time when life insurance on the part of the masses was being demanded to an ever-increasing degree, these associations, often parading under high-sounding titles, and often supported by the names of men of prominence in the community, imposed upon the credulous masses a sham. An excellent illustration of one of these concerns is furnished by the Manhattan Co-operative Relief Association, organized in New York in 1868. From the outset this association was condemned by the *Spectator* and other insurance journals, as a "monstrous fraud," and as nothing more or less than "insurance for an

* Principles of Sociology, Vol. III., p. 553.

† The Labor Movement in America, p. 169.

uncertain amount at uncertain cost." It represented only promises, and in nowise offered a guaranty of results, though, in the words of the *Spectator*, "Those who are familiar with even the elementary principles which govern life contingencies do not need to be told that the scheme is as utterly impossible in practice as it is wild in theory."* Unfortunately, the masses and even the educated and well-to-do of this period had but hazy conceptions of the principles of life insurance, and it is a fact worthy of notice that a scheme so plainly speculative had the support of eminently respectable journals like the *Church Union* and *The Independent*, and of secular publications like the *Atlantic Monthly* and the *New York Tribune*, in which the concern was extensively advertised. As regards the *Church Union*, it was stated at the time, with much truth, that "it was the laudation" of the editor of this journal "that first gave repute and standing to the delusion and enabled its concocters to inveigle agents into its service, and to employ them to deceive the people."†

After a brief period the Manhattan Co-operative Relief Association went out of existence, and the money that had been put into the Association by ignorant policy-holders was, of course, a total loss; but in spite of actual experience, in spite of emphatic condemnation on the part of qualified critics, of the insurance press and the Insurance Commissioners of the various States, in the absence of a more legitimate and permanent form of insurance, such as could have been furnished on the Industrial plan, similar associations flourished for a short period in all parts of the country. Moreover, they are in existence to-day, numbering their members by the million, although the handwriting on the wall has for years pointed to an enormous loss, and the annual crop of failures has brought misery and loss to hundreds of thousands, who in these associations had invested their all. A complete perversion of the principle of association is not likely to prove a means for the permanent amelioration of the condition of the industrial population.

* *Spectator*, 1868, p. 271.

† *Insurance Times*, 1868, p. 472.

CHAPTER III.

INDUSTRIAL INSURANCE BEFORE 1874.

By 1868 Ordinary life insurance had reached almost stupendous proportions, but, as has been previously pointed out, thus far there had been no distinct effort to make level-premium insurance available to the industrial population by improvements and changes in the method of premium payments. Thousands of ventures under the name of health insurance, co-operative insurance or life insurance by the secret orders had proven inadequate to the demand. Association after association, company after company had been organized, flourished for a short time and failed. Even under the distinct name of workingmen's or laboringmen's insurance a number of companies or societies made efforts to gain a firm footing, but without success. Thus, in 1868 there was organized the People's Life Insurance Company for industrial classes, in the city of New York, and in 1869 the Miners' and Mechanics' Life Association of Missouri, the Laboringmen's Life Insurance Company of Chicago, the Workingmen's Life Insurance Company of New Orleans, the New York Workingmen's Benefit Company, and also the Workingmen's Union in the city of New York, but none of these companies, on account of inherent defects, was able to attain to even a fair degree of prosperity and financial stability, and all, without exception, came to an early end. That these associations were created or developed in answer to a distinct demand on the part of the working-people for some form of life insurance is self-evident from a study of the prospectuses, which, as a rule, state, as the object in devising the scheme, that "it is to render the blessings of life insurance more than ever accessible to the industrial classes." Unfortunately, the promoters erred in assuming that what was wanted on the part of the masses was "cheap" insurance, rather than insurance on a plan of premium payment more convenient and more in harmony with their ability to pay. In

some instances the premiums were to be paid monthly, but in all cases the fundamental principles of life insurance were violated and the ignorance of the promoters of these organizations of the practice and principles of the business was evident from the fact that, as a rule, all classes of members were accepted without distinction as to age,—the cause of insolvency and failure in the English Friendly Societies.

In 1867 the *Insurance Monitor* recognized the increasing necessity of insurance for the masses, stating that "Working people, and all whose families are supported by daily, weekly or monthly wages, stand more in need of life insurance than any other class." For this reason the *Monitor* advised improvements in the mode of paying the premiums, "which would render the task much easier of fulfilment than formerly to persons of moderate means." In 1868 the *Monitor* further discussed the question as to "Who and how many may insure their lives" as follows: "Whether life insurance will finally be so far cheapened and popularized that the working masses, mechanics and laborers, those depending on weekly wages, can be persuaded to a general adoption of the practice, must depend largely on moral and intellectual training. Life insurance presupposes a community of refined tastes, social affections and correct moral conviction. In proportion as our people advance to the higher planes, the custom will widen and deepen among the foundation classes." After some further remarks, the *Monitor* concluded that "The common people, as well as sagacious business folk, begin to understand its value." Up to this time, however, the weekly-premium plan of the British Prudential had remained practically unknown to the insurance journalists of the period, and, although the British Prudential by 1868 had approximately 170,000 policies in force, no one writing on insurance subjects seems to have been familiar with its practice and results.

One company, the American Popular Life, organized in 1866 as a level-premium company, following the effort of the Mutual Benefit of Newark in 1847, had offered to accept premiums weekly, monthly, quarterly or annually, but, as far as I have been able to learn from correspondence with some of its officers, very little business was ever transacted on the weekly plan.

The first distinct effort to establish Industrial insurance in the United States would seem to have been made by a Mr. Peacock,

of Zanesville, Ohio, who, according to the *Insurance Times* for 1868 (p. 232), had "made a special study of life insurance in its adaptation to the industrial classes," and "devised a system by which he hopes to bring the benefit of the institution within the reach of the poorest laborer, and render it more available to him in life and to his heirs at his death, than by any other hitherto adopted." This attempt on the part of Mr. Peacock seems to have been *the first effort to establish Industrial insurance in the United States*, but there is no evidence to show that the plan, so briefly outlined, was ever actually carried into effect, and insurance history is silent as regards one who thus early recognized the need of the masses for legitimate life insurance on the Industrial plan. No doubt the item attracted attention, and possibly had some influence in bringing about another similar effort during the latter part of the year 1868.

The *Insurance Times* for October, 1868, makes mention of The Industrial Life Insurance Company, which "title has been adopted by a new organization, whose formation exhibits the expansive vitality of good seed planted in a rich soil. It is to be a purely stock company, promising no profits to the insured, and will have a capital of \$125,000." Among its incorporators was Mr. William H. Beers, at that time Vice-President of the New York Life. The *Insurance Times* stated that the company would "be a thorough and legitimate life insurance company, but more especially adapted to the requirements of the poorer classes. It will seek to extend to them the blessings of life insurance, by accepting weekly instead of quarterly, semi-annual and yearly payments of premiums, and by conforming all its plans, methods and practices to the necessities, wants and abilities of the indigent and laboring portion of the community."

This effort, also, seems not to have been carried beyond the preliminary steps, and I find no record of the Industrial Life ever having had a corporate existence. Mr. Beers, as Vice-President of the New York Life, had no doubt become familiar with the English system of Industrial insurance, but, for reasons which can not now even be guessed at, the project fell through, and the Industrial Life of 1868 never had more than a paper existence. The effort, however, was a step in the right direction, and at the time seems to have attracted considerable attention.

Thus, in the *Exchange and Review* for November, 1868, there appeared an article on "Industrial Insurance" from which I also

make a brief extract: "The adaptation of life insurance to the circumstances of the working classes is an idea whose practical and true development in the United States is yet *in embryo*. In England it has received more attention, but it is there beset with the drawbacks which seem inevitable to all projects having for their proposed object the bettering of the financial condition of the great masses. * * * Without doubt, the penny of the poor man is to have its place in life insurance accumulation as well as the dollar of the capitalist, but it behooves all concerned to watch that sharpers do not divert *the tendency of the hour* in this respect to their own benefit." In explanation of its attitude of caution, the *Exchange and Review* added the statement that "A London journal, in an exposition of the frauds which have, under the name of industrial assurance societies, so extensively swindled the poorer classes of England, remarks: 'Industrial, like the higher kinds of life insurance, can not be managed properly except upon purely scientific principles. * * * This is the manner in which the Prudential and one or two other offices have proceeded, and which now stand out prominently as the leading industrial assurance companies, presenting a marked contrast to the miserable creations of the illiterate adventurers.'"

We have here a clear and concise recognition not only of the public demand for Industrial insurance on the plan of the Prudential of England, but a word of caution against the fraudulent and ruinous methods employed by co-operative and other forms of pseudo-insurance associations having for their principal object the rapid enrichment of their promoters. It was just such advice as this, based on a sound knowledge of insurance principles, that was needed at this period to keep the ill-informed, though perhaps of honest intent, from entering upon an enterprise in which failure on a large scale would have done incalculable harm to the cause of legitimate life insurance for the industrial population of the United States.

That the subject was now attracting considerable attention among the intelligent and well informed is apparent in the increasing number of articles upon the subject in the insurance journals of the period. In the *Insurance Times* for 1869, Mr. J. F. Entz, one time Actuary of the New York Life Insurance and Trust Company, in a long and able article discussed the subject as follows: "With all the noble and widespread

benefits which life insurance confers upon society, it must be acknowledged that it falls lamentably short in one quarter, and that in a quarter where its ministrations are most needed; we mean among the poorer classes. Notwithstanding the immense progress of life insurance in this country during the last twenty years, we are ignorant of many features practised with great success in England, France and Germany. These improvements are mostly toward the end of opening the doors to the masses of the middle and laboring classes, and every well-wisher of his fellow-citizens who has influence among our insurance companies should interest himself in their speedy introduction in the United States."

Mr. Entz fully recognized, as one of the most important steps in this direction, that "*every facility should be extended in the mode of paying premiums,*" but he also recognized another factor of most importance in the extension of insurance principles to the masses, and that was *the need of insurance for every member of the family*. In other words, family insurance on the Industrial plan, as practiced by the British Prudential since 1854. In reference to this part of his subject Mr. Entz stated that "Burial societies have existed for many years in this country, but they have hitherto been defective in two points," namely, "all members were assessed alike without regard to age; secondly, they have not extended the benefit of the subscriber's risk to every member of the family."

By 1870 two of the essential principles of Industrial insurance had been recognized by influential writers on insurance, namely, the weekly-payment principle and the principle of family insurance; and it only remained for those who contemplated the practical inauguration of Industrial insurance in the United States to recognize with equal clearness the necessity of the collector and the adjustment of the amounts of insurance to the premium as a unit of five cents, or multiples thereof.

Mr. Entz in 1870 had made an attempt to carry his ideas into practical execution, and organized that year The Progress Life and Savings Insurance Company of the United States, but, for reasons which can not here be discussed, the project was never carried into actual operation, and in some respects this was fortunate, since, as has previously been pointed out, failure of any honest attempt to promote savings or insurance on a large scale would have been disastrous to the cause of legitimate life insurance for the

industrial population. The rather curious and interesting combination of the principle of savings with the principle of insurance has previously been referred to, but it can not be too often pointed out that savings banks and life-insurance companies each have their distinct position in the domain of thrift and social progress, and they can never be combined to successfully accomplish the same purpose. Savings banks by 1870 had, it is true, reached a very important position, but it was far from being true that savings habits among the masses had been extensively developed. Careful investigations made into the subject by qualified investigators, especially in Massachusetts by the Commissioner of Labor,* had demonstrated, first, that only a little more than one-half of the depositors at that time really belonged to the wage-earning classes; second, that the average number of deposits made per annum by a depositor was small, and in Massachusetts savings banks was only two and a half deposits for each depositor. The latter fact is of much importance in that it shows that systematic weekly savings had not yet gained a firm footing among the industrial wage-earners of Massachusetts, and the Labor Commissioner supports this conclusion by the emphatic statement that "Our investigations into the earnings and cost of living of wage-laborers, the results of which were given in two previous reports, convinced us that savings are the exception and not the rule. To reconcile this fact with the general statement that the hundreds of millions of dollars now on deposit in our Savings Institutions are the savings of the wage-laborer, is impossible." This assertion was not new to those familiar with the official reports of the Savings Banks Commission, who as far back as 1852 had stated that "persons who are regarded as wealthy make deposits in Savings Banks to the extent of the legal limits," and in 1870 Governor Claflin repeated this statement in the words that "These institutions are becoming still more the favorite places of deposit, not only for persons of small means, but also for those seeking investment for very considerable sums. The prudent management of those banks has met its reward in gaining the confidence of the public to such a degree that even the capitalists use them as places of investment." To these emphatic and unqualified statements I may add the following extract from the Governor's message for 1871: "It is very evident that

* Third Mass. Labor Report, p. 293 *et seq.*

a large share of this increase is not the saving of labor. Each year shows more deposits by capitalists." From such evidence it is quite plain that by 1870 a very considerable proportion in number and a much more considerable proportion in amount of the savings-banks deposits were those of the well-to-do, rather than those of the industrial or wage-earning masses.

The facts for Massachusetts would seem fully to warrant the following conclusions: first, that by 1870 the considerable increase in the amount of deposits was largely due to the rapid accumulations of the wealthy, who made extensive use of the banks at this period; second, the proportion of the depositors who were actually wage-earners was only 58 per cent.; third, the average number of deposits per annum and per depositor was only two and a half, which would absolutely prove that the habit of systematic weekly or even monthly saving had not yet been developed among the industrial masses of Massachusetts, and probably not in other parts of the country. Finally, it was shown, by investigations made at this period, that the foreign-born population, most in need of a small fund for unforeseen contingencies, had not yet learned to make extensive use of the banks. It remained for Industrial insurance, by its system of weekly-premium payments, to largely develop the habit of systematic savings which has done much, if not most, to materially increase the general welfare of the industrial population.

What was true of savings habits in the use made of savings banks was equally true of savings habits in the use made of Ordinary life companies by the wage-earning population. Attacks on the whole system of life insurance "as one of robbery and fraud" were made editorially in the *New York Tribune* in 1869, while other newspapers with equal emphasis condemned the entire system of life insurance, much to the detriment of the progress of the insurance idea among the masses. Still the question of providing life insurance for the industrial population continued to receive occasional attention, though only in a half-hearted manner. Evidently, many of those who most seriously considered the problem, being confronted by the rising tide of co-operative insurance, combined with the hostilities of leading newspapers and of men of influence to the entire system of level-premium insurance, considered the task of establishing safe insurance on the principle of absolute security, in the face of

the demand for cheap insurance, or pseudo-insurance, a hopeless one.

"Life insurance," in the words of Mr. D. N. Holway, "is a purely scientific financial procedure. It guesses at nothing." On the other hand, co-operative insurance, so-called, was a procedure in defiance of all principles of sound finance, and a guess at everything, including the rate of human mortality, on which the charges or dues were supposed to be based. Hence, with the latter it was only a question of time when the inevitable crash would have to take place. Owing to a large variety of causes favoring the growth of co-operative insurance, the end was put off much longer than would have been the case under normal conditions. Still, in the words of the *Exchange and Review*, the co-operative movement, and similar attempts at life insurance by organizations or trade societies, were not "without signs of good, despite the abnormal forms which they are assuming. They reveal a growing interest in life insurance among masses who have not yet embraced its provisions." And as one of the possible solutions of the problem the *Exchange and Review* (1869) suggested that "Unions for effecting life insurance with the companies, and under special arrangements, may be a part of the programme of the future unions which may make individual insurance certain and more available. * * * * Cultivating the habit and practice of life insurance, they may make it less apart from the practical consideration of the people."

In explanation of these unions for effecting life insurance with the companies, which, in a measure, were rather peculiar attempts for an alliance of trade associations and others with the regular life-insurance companies for the purpose of providing life insurance for the members, the *Exchange and Review* refers to one such experiment as follows: "The New York Life Insurance Company has made a proposition of this kind to the Workingmen's Union [previously referred to]. * * * * The proposition was to insure not less than 1,000 workingmen of the various trade unions, issuing 1,000 policies at a premium of 50 cents a week each." The attempt seems to have failed on account of the opposition on the part of some members of the trade unions, who were opposed to life insurance on any terms. The most important fact is the weekly-premium stipulation, and,

while still far from being in the nature of Industrial insurance, we have here a form of workingmen's insurance tending distinctly in the direction of what, in course of time, became known as life insurance on the Industrial plan.

A somewhat similar arrangement was effected at about this time by the Metropolitan Life Insurance Company of New York, which insured the members of a German organization, the Hildise Bund, of Cincinnati, Ohio, and in an historical sketch of the company it is stated that "In the year 1869 and for many years thereafter the Company did a large business on the weekly-payment plan."* The agreement of the company with the Hildise Bund was "to insure the lives of those who want to become members, if the risks are acceptable to the company, and charge therefor the regular rates. The Hildise Bund, which is a chartered institution, is charged for, and pays to the company the regular quarterly premium, and collects by its own treasurer the weekly dues from the members. No matter how these weekly dues are fixed, the Metropolitan never receives more nor less than the regular premium." It is clear, from official correspondence published in the *Spectator*,† that the company itself did not transact a weekly-payment business, but that the Bund paid to the company the quarterly premiums collected weekly from the members, and that, strictly speaking, the company itself did not transact a weekly-payment business at this period.

On a plan somewhat similar to the method of the Metropolitan, the New York Life Insurance Company in 1870 organized a society by the name of The Fortuna Life Insurance Society, as a branch of the New York Life, though as a separate organization, having for its object the insuring of the middle classes and receiving the premiums in weekly instalments. The society issued all the ordinary kinds of policies from \$500 to \$20,000, and the plan was especially designed to bring life insurance within the reach of the working population, and accommodate those who could best afford to pay their premiums on the weekly-payment plan. Whether this society ever actually transacted business does not appear from a careful examination of the history of the company published in 1895.

* Souvenir Bulletin, p. 10.

† *Spectator*, 1871, p. 352.

Another level-premium company which attempted a somewhat similar plan was the Western New York Life, of Batavia, N. Y., which, through the Familien Schutz, transacted a business practically identical with the arrangement of the Metropolitan with the Hildise Bund; and, as far as it is possible to judge, the Western New York Life Company also used the other concern simply as a soliciting and collecting agency. It was stated at the time that the Familien Schutz had been organized for the purpose of insuring its members against sickness and death by the payment of small weekly premiums, and by an agreement between the society and the company the latter was to receive the premiums collected by the former, and insure its members at the regular life rates, and otherwise aid in sustaining the society. The plan was stated to have been popular among the German population, and a considerable number of members seem to have been obtained in different States.

Still another society on this order was the Bund "Hilfinnoth," or New York "Help in Need" society, an organization having also for its object "the insurance of workmen whose weekly incomes seldom furnish accumulation of sufficient size for the payment of annual or semi-annual premiums on life policies." The insurance through this Bund was furnished by the New York Life Insurance Company, but later, in 1875, by the German Department of the Life Association of America. Very probably the New York Life Insurance Company found the experiment an unprofitable one and turned the business over to the Life Association of America, which company failed in 1878.

Gradually, however, the light was breaking, and the problem of genuine workmen's insurance was being brought to the attention of the public with an ever-increasing degree of emphasis and force. The impending failure of the International Life of London, and the reinsurance of its American business, had drawn public attention to the Prudential of London, which company had assumed some of the outstanding risks of the International. The controversy was referred to at length in the Massachusetts insurance reports, and, as a coincident matter, public attention was once more directed to the great success of the Prudential Assurance Company. Another most important factor was the publication of a paper by Mr. (now Sir) Henry

Harben on the history of the Prudential, read before the Institute of Actuaries of England, on April 24, 1871. The paper itself, and the learned discussion thereon by the foremost men of actuarial science of the time, attracted sufficient attention in the United States to induce a number of influential insurance journals to discuss the subject of workingmen's insurance on the Industrial plan from a new standpoint, and among the first to give considerable space to the new views regarding Industrial insurance was the *Spectator*, which in its October issue for 1871 devoted considerable space to the system of Industrial insurance as practiced by the London Prudential. I quote from the *Spectator* as follows :—

“How far, if at all, the English plan of industrial insurance is susceptible of application and development in this country must be a question for actuaries and managers to decide. That there are features of the system which commend it to the acceptance of certain classes in the community, here as there, does not admit of doubt. But the reduction of these to practical use among us is a problem whose solution may not be very easy and must be a work of considerable time.”

As to the Prudential the *Spectator* further said: “As we showed in the June number of the *Spectator*, the Prudential has attracted to itself and its system the attention of life managers everywhere, by reason of its immense volume of business and the systematic manner in which infinite details are kept well in hand. And the paper read by Mr. Harben before the Institute of Actuaries, some months ago, has brought the subject of industrial insurance so graphically and prominently into notice, as to indicate not only a new sensation, but a *new departure in life insurance.*”

That this new departure would, therefore, attract considerable attention in this country, and that there would be developed a local demand for some such institution in this country, which would both be convenient as to the premium payments and absolutely secure as to the payment of claims, was only a question of time. Inquiries, no doubt, were made during these years directly to the Prudential of London, for facts and information pertaining to the business, and it is on record in Mr. Harben's own words to the Royal Commission on Friendly Societies in 1872 that “in America they want to adopt the Industrial system of insurance,

and I myself have framed an Act with all the necessary schedules for them for the purpose." *

By June, 1872, the Prudential of London had 812,000 policies in force on the Industrial plan and 11,000 policies on the Ordinary plan of life insurance. In the whole history of life insurance no such result had ever before been accomplished, and well could the *Spectator* say of Mr. Harben, the master-mind of the Prudential, that "It is very obvious that Mr. Harben, the Superintendent of this colossal business, must be a man of remarkable organizing and administrative talent," and that "the Prudential is doing, upon wholesale principles, the most extensive retail life insurance business ever undertaken. But the results are certainly remarkable, and, thus far, they appear to bear the stamp of entire success."

It remained for the *Insurance Times* to make itself the first pronounced and energetic advocate of the establishment of Industrial insurance in the United States. To the *Insurance Times*, and to its gifted editor, Stephen English, belongs the credit for having first placed the general facts pertaining to the practice of Industrial insurance before the insurance managers of the United States. From April, 1872, the *Insurance Times* never ceased dealing at length with the subject month after month; page after page was devoted to Industrial insurance, and in the whole history of life or any other kind of insurance there is not another instance of a similar propaganda in behalf of a "new departure" destined in time to become the greatest business success of the age.

In the July number of the *Insurance Times* the "Irish Correspondent" of that paper, in a long and interesting communication stated that he had learned from various sources that the subject of Industrial insurance, as set forth in the recent issues of the *Times*, was attracting considerable attention among the companies in the United States, and that he had been informed by the Secretary of the Victoria Assurance Society that American companies were in direct communication with him on the subject, while "Mr. Harben has been applied to for all the papers of the Prudential"; hence the conclusion that "You may, therefore, look out, I think, for another good result to American life insurance, arising from the facts and advocacy of the 'Industrial' business in your journal. I am mistaken, or some of

* Third Report, Q. 26, 125.

your New York companies mean to adopt the industrial system of monthly-premium payments."

It was, however, an error on the part of the *Times* correspondent to speak of insurance on the monthly-payment plan as Industrial insurance. It can not be too often pointed out that Industrial insurance recognizes as two of its elementary principles that the premiums must be paid weekly and be collected from the houses of the insured; but for some curious reason the *Insurance Times*, in its early advocacy of the cause of Industrial insurance in the United States, advocated the monthly-premium payment plan rather than the Prudential system of Industrial insurance on the weekly-premium payment plan.

The increasing demand for workingmen's insurance on the Industrial plan is partly explained by the excessive mortality, affecting all age periods, which prevailed in the large cities, and especially in New York and Newark at this particular time. The general death-rate of New York City, which had been exceedingly high during 1870 and 1871, having been 27.9 and 28.2 per 1,000, respectively, had increased to 33.0 per 1,000 of population during 1872. At the younger ages the mortality in 1872 was, in some instances, more than 50 per cent. in excess of the mortality for the previous year. The *Insurance Times*, commenting at length on the excessive mortality of children, discussed the problem of child-life waste from various standpoints, advancing the conclusion that a very large amount of infant mortality was from preventable causes, especially malnutrition due to artificial feeding, the habit of drugging with patent preparations, and the general unsanitary condition of the dwellings. Unquestionably, New York City at this time was not a very healthy place to live in.

Under such conditions life insurance for the whole family was becoming an almost absolute necessity. Nothing remained in many cases but pauper support during the last illness and pauper funerals for the dead. Pauper funerals in New York City, which had numbered 2,897 in 1870, had increased to 3,502 in 1871, increasing still further to 4,086 in 1872—a point which was not reached again until 1891, when the population had almost doubled itself. While, no doubt, much relief was afforded by such of the aid societies as were temporarily in a solvent condition, these confined their burial assistance to adults, while the burial of children was practically unprovided

for; and nothing was more natural than that, during such a period of distress, a considerable amount of attention should be given to a system of insurance which, in England, had accomplished so vast an amount of good, and had done much, and was tending to do more, towards improving the condition of life of the industrial population.

The practical results of Industrial insurance in England were of course familiar to many English emigrants who had come to this country during the past twenty years, and who, either as members of Friendly Societies, of Trading Collecting Societies, or of the Industrial insurance companies, had carried to this country considerable information of the actual results accomplished by family insurance in the old country.

Another element making distinctly for an increasing interest in this form of insurance was the increasing public dissatisfaction with the existing forms of co-operative or other kinds of pseudo life insurance. While new organizations were being constantly organized, and while new movements were constantly set on foot, now for purely speculative reasons, now for secret-society purposes, or again for trade-society objects, all such movements ultimately proved disastrous experiences along the now well-recognized road which inevitably leads to insolvency and ruin.

The frequency of failure among these numerous societies or associations granting sick benefits and promising sums payable at death attracted the attention of Insurance Commissioners in nearly all the States of the Union. Hardly an official report was issued by a State official in charge of insurance matters but attention was called to the increasing danger of a great public loss and subsequent calamity resulting from the ill-advised schemes under the name of co-operative life insurance. Thus, in the report of the Missouri Superintendent of Insurance for 1872, reference is made to the delusive plan of co-operative life insurance as one demanding some action by the Legislature, and the words of warning concluded with the remark that "They are mentioned again because in the West this form of insurance is making headway, seriously to the detriment of the public good."

The time for establishing an Industrial insurance company in the United States had, however, not yet arrived in 1872. The fundamental principle underlying Industrial insurance, as well

as all other legitimate forms of life insurance, is that *the first and most essential element of insurance is safety*;* but at this period of insurance history the masses had not yet realized that so-called "cheap" insurance, or "insurance at cost," as transacted by men ignorant of the principles and practice of the business, could prove only a delusion and a snare. Time only could remedy these evils and replace worthless institutions by worthy ones. It was as yet too early to establish a company solely on business principles, offering insurance as a matter of contract, without any pretense of a pseudo-philanthropy; for there was still a belief that somehow, some way, the magic word "co-operation" would solve a problem which, for its true solution, required exceptional ability, courage, patience and unremitting toil, devoted to the achievement of a single purpose.

The *Insurance Times* continued its efforts in behalf of the dissemination of information in the United States as to the value and importance of the English method of Industrial insurance. Unquestionably, the current hearings, or taking of evidence, before the Royal Commission on Friendly Societies (1871-'74) had much to do with the growth of an American sentiment in favor of insurance for the masses on the plan of family insurance, so successfully developed by the British Prudential. Mr. Harben's testimony given in 1872, no doubt, had come to the notice of American insurance managers; and while there remains no trace of an effort to establish an Industrial insurance company during 1872, there is evidence of such an attempt having been made in Columbus, Ohio, during the early part of the following year, where, according to the *Insurance Times* of February, 1873, the "Prudential Life Insurance Company, with a capital of \$200,000," was in progress of organization. This proposed company, however, seems never to have come into a corporate existence—at least, there is no record, in the report of the Insurance Department for that year, of such a company ever having been incorporated in Ohio.

In its March issue for 1873 the *Insurance Times* discussed some of the evidence given before the Royal Commission, and

* Life insurance has properly been defined as "a present means of obtaining a certain advantage over an uncertain event."

restated its former position in favor of Industrial insurance for the American industrial masses, as follows :—

“The very first new Life Insurance Company that ought to be established in the United States should be one of this class—for Industrial business. The field is open to be worked to an unlimited extent. It would be found to be one of the most successful fields ever cultivated for Life Insurance in this country.”

While practical minds, familiar with insurance matters, were thus considering the question of workingmen's insurance from a standpoint of fact and expediency, at least one of the leading economists of the period, Mr. Amasa Walker, advanced arguments in favor of government life insurance, on the ground that “the State is bound to afford protection to the lives and property of its citizens, and any act on its part necessary to the full realization of this great object is not only right and proper, but obligatory”; and, in Virginia, it was Mr. Henry A. Wise who, in his gubernatorial campaign, announced himself unconditionally in favor of life insurance by the State. He advocated such a course, not because it was likely that the State would offer superior plans of insurance at lower rates than those charged by private companies, but because the State was in a bankrupt condition, and he had hopes that the government would thus be able, by the means of life-insurance profits, to “recruit its exhausted or insufficient resources.” The *Insurance Times* properly explained that life insurance was the last thing in the world that an unsettled government should indulge in, and it is much to the credit of the Legislature of Virginia that they “were not to be deluded by the specious aspects of the bill presented for the incorporation of the scheme, and very prudently laid it in the limbo of countless similar visionary plans for ameliorating the condition of the human race.”

That there was a local demand in Virginia for the extension of the principles of life insurance to the masses is illustrated by a peculiar experiment in insurance attempted at the same time that the question of insurance by the government was seriously under discussion. . Quoting from the *New York Evening Mail* of 1873, Cornelius Walford, in the *Insurance Cyclopedia* (Vol. V., p. 165), states that a Richmond (Va.) newspaper during this year advertised the Undertakers and Burial Insurance Company, which offered “to agree to furnish promptly to all persons in *good health*, under forty years of age, for \$1 per annum,” the insurance

"needful for a funeral." For some reason or other this experiment, which in later years was frequently repeated, seems, then as now, to have fallen short of success.

Still another form of life insurance for the masses had been devised by the Hon. Emerson W. Keyes, the author of a work on the history of savings banks and one of the directors of the American Popular Life, to whose weekly-payment plan previous reference has been made. The plan of Mr. Keyes was a combination of the principles of life insurance and the methods of savings banks, and had, in the words of the editor of the *Monitor* (1873), "sound sense and reason to commend it"; but, as a matter of fact, as a form of family insurance the method was faulty and useless for the purpose of family protection, since it was practically nothing but term insurance, providing life insurance for a specified period of years. A somewhat similar plan was advocated some years later by Mr. Elizur Wright, but both methods of combining a savings bank with a life-insurance company proved failures and practically impossible.

As early as 1870 the Peabody Life had offered a peculiar plan of savings-bank insurance to the public, originated and copyrighted by H. H. Hadley, the vice-president of the company. According to the *Monitor*, Mr. Hadley had devised this plan "for life insurance among people of small means, to be consummated by daily or weekly deposits of small amounts." Nothing, however, came of any one of these attempts, too fanciful in theory to be useful in practice. Neither Keyes's Labor-Term Insurance nor Hadley's Savings-Bank Plan seems ever to have been adopted by any responsible company, and, as far as I have been able to learn, no policies seem ever to have been issued covering the peculiar provisions incorporated in these attempts, which, however, are of historical value in view of Mr. Keyes's undoubted ability as a writer on savings-banks history and Mr. Hadley's later connection with a somewhat similar effort which, by a narrow margin, failed to prove a success.

Mr. Hadley seems to have been a man of strong convictions on the subject of life insurance for the masses, but wanting in technical knowledge and practical ability to grasp the fundamental principles of Industrial insurance. Not discouraged by his failure to make a success of his savings-bank plan through the Peabody Life, he made another effort through the Missouri Valley Life, of Leavenworth, Kansas, to furnish some sort of reliable indemnity

to the insuring public. The plan of this company was to issue policies for \$100 each, in form and appearance resembling a greenback. The premium was uniform for all ages, while the duration of the policy was graded according to age, being, in other words, a term policy, somewhat in the nature of the plan advocated by Mr. Keyes. While the company called this form of insurance "Industrial" insurance, it was neither that nor whole-life insurance in any form. The plan was inherently weak, and to a considerable extent a deception, in that it opened a very inviting and practicable field for fraud. The *Insurance Times* in 1873 well spoke of this plan as "one of the most objectionable attempts at insurance that has ever been placed before the American public."

The Missouri Valley Life, however, transacted a not inconsiderable amount of business on this plan, and issued as many as 8,000 policies during 1874, 5,700 policies during 1875, and 3,200 policies during 1876; but thereafter the business dwindled down to nothing, the company discontinuing active business operations in August, 1877.

The failure of the Missouri Valley Life to make a success of this form of insurance was due entirely to the inherent weakness of a scheme which in all essentials was the very opposite of Industrial insurance as practiced by the British Prudential. The experiment, however, gave proof that there was a strong demand for life insurance in small amounts and on a convenient method of premium payments, and it was now only a question of time when the essentials of success in this direction would be fully recognized in the success of the British Prudential. Naturally, such further efforts were most likely to be made in the large cities of the East, where the industrial conditions were more favorable to the extension of the principles and practice of Industrial insurance; and early in 1873 a society was organized with this end in view, in Newark, N. J., which in a few years was destined to become the corner-stone of the present Prudential Insurance Company of America.

According to the *Insurance Monitor* for July, 1873, "The Widows' and Orphans' Friendly Society was chartered this year, under date of April 3rd, by the New Jersey Legislature," for the purpose of placing "the blessings of life insurance within the reach of those classes whose narrow means restrict them to the payment of monthly premiums." It was further explained

that "the clerical labor has generally been found too great to admit the adoption of this method by the companies directly. But, through the aid of an auxiliary society of this kind, the end can be accomplished, and all the benefits of legitimate insurance can be secured by those who, if they are inclined to insure at all, fall a prey to co-operation, or are forced to join some benevolent organization." This society had made an arrangement with the Piedmont and Arlington Insurance Company for insuring the members by means of a saving-fund policy at ordinary life rates,—in other words, it did not differ materially from the numerous forms of Unions or Bunds previously dealt with, and which had for their object the insurance of working people in substantial Ordinary companies through the medium of fraternal or beneficial societies acting as soliciting and collecting agencies. As has been stated, most of the Unions or Bunds were of German origin, and the largely Teutonic character of The Widows' and Orphans' Friendly Society is indicated by the names of the men who organized the same, and of whom it can be said, with all truth, that "they builded better than they knew."

Of the actual business transactions of this society, the objects of which were well defined as assistance in sickness and aid in defraying the funeral expenses of deceased members, few facts have come to my notice. It is very doubtful whether the society ever transacted business on an extensive scale, probably finding it difficult, as similar societies had, to do business by a method at once clumsy as to practice and inherently weak as to insurance methods and principles. The permanent interest in this society and its historical value are to be found in the fact that on February 18, 1875, the name of the society was changed to The Prudential Friendly Society, which title was further altered in 1877 to the present name—The Prudential Insurance Company of America.

CHAPTER IV.

INDUSTRIAL INSURANCE IN AMERICA IN 1874.

The beginning of Industrial insurance in the United States must be fixed on the date on which the name of The Widows' and Orphans' Friendly Society was changed to The Prudential Friendly Society, of which Mr. John F. Dryden was made the first secretary, as he had been instrumental in bringing about the reorganization and the establishment of the new society on actuarial principles, identical in all respects with those which underlie the transactions of the large and successful Ordinary life companies of this or any other country.

Of the events affecting life-insurance history during the two years which passed from the date of the charter of The Widows' and Orphans' Society to the date of the foundation of The Prudential Friendly Society only brief notice can be taken in our historical survey of the facts relating to the origin and growth of The Prudential Insurance Company of America.

The *Insurance Times* continued to call public attention to the subject of Industrial insurance by publishing from time to time tables and other data pertaining to the practice of the British Prudential. Such information must needs have been of vital interest to those who at this early period were considering the expediency of establishing an Industrial insurance company in the United States. It is much to the credit of the *Insurance Times* that it early recognized the inexpediency of uniting the objects of Industrial insurance with those of regular life-insurance companies operating on the Ordinary plan, warning American life companies to rigidly avoid any and every attempt of this kind.*

* The importance of this suggestion lies in the fact that the combination of Industrial with Ordinary insurance was likely to prove a hindrance to the development of the former in that the latter being already established, the former would receive but little attention. The Prudential Insurance Company being free from this burden in the beginning, was, therefore, enabled to develop every technical feature of the business to a high degree

In the September issue of the *Insurance Times* for 1873, this warning was repeated in the following words: "Hundreds of thousands of policies can at once be issued by any responsible company that will bring the business fairly before the public as a special feature. It can never be well done through any secondary organization." But even the *Insurance Times* had not yet recognized the essential difference between Industrial insurance on the plan of the British Prudential and Ordinary life insurance transacted on the monthly-premium payment plan, being apparently more in favor of monthly payments than in favor of genuine Industrial insurance, in which the payments are made weekly and collected from the houses of the insured. By the end of the year 1873 the establishment of genuine Industrial insurance was, therefore, apparently, as far off as ever, and as late as November, 1873, the *Insurance Times* lamented the fact that, in spite of all the arguments advanced and all the rich promises of reward, no company had come forward to follow its advice, and there is no record of any serious effort to organize an Industrial insurance company during the year.

The confusion of ideas as to the true nature of Industrial insurance on the part of the *Insurance Times*, in advocating a system of monthly-premium payments, is one which can be explained largely on the ground that life-insurance ideas in general were still in a very primitive state. This is apparent from another confusion of thought which is only too often made in well-intentioned remarks on life insurance even at the

of perfection before assuming the burdens of Ordinary insurance. The Ordinary insurance companies which attempted to transact an Industrial business as a side issue invariably failed to make a success of the business and discontinued the Industrial Branch after a few years of experiment in this direction. On the other hand, the Ordinary companies which attempted to transact an Industrial business and for the time being devoted all their energies and efforts to the successful transaction of the Industrial business succeeded in this direction, but for the time being fell materially behind in their Ordinary business. While, therefore, inherently there are no reasons why an Ordinary company should not transact an Industrial business, practically it was desirable that the business should be first taken up by a company devoted exclusively to the transaction of the Industrial business. Hence, the fact that Industrial companies to-day transact a very large volume of Ordinary business is not to be considered as a contradiction of the warning note of the *Insurance Times*, which was fully justified by the conditions existing at the time the article was written.

present time. Speaking of life insurance for the poor and people of small means who need insurance protection most, the *Insurance Times*, in its issue for December, 1873, pointed out that "The benefits of life insurance are peculiarly designed for persons of moderate means. As charitable institutions, the companies ought, from motives of public spirit, to make it one of their principal objects to make small policies readily accessible." No error can be more serious and at the same time more self-evident than that life insurance is in any sense a charity, for, to the contrary, it is, in all respects, a business enterprise identical with banking or any other form of commerce. Through life insurance an immense amount of misery is alleviated and an incalculable amount of human suffering prevented, but it is not as a charitable agency that life insurance has brought about this much-to-be-desired end. To confound life-insurance companies—which are social institutions, making for social and economic independence—with charitable institutions, the best of which must always, even though in a most subtle manner, make for individual dependence,* is an error which can not be too much deplored, and one to which, I believe, are due most of the sins of legislators who look upon life-insurance companies as semi-charitable institutions which should grant unheard-of favors and gratuities, cash-surrender values, and paid-up policy provisions in excess of the actual values which a company may have on hand or have received for the purpose of meeting its contracts. This error was repeated in the *Massachusetts Insurance Report* for 1873, in the statement that "Life insurance seems to have lost the character of a purely benevolent institution, and has begun to assume that of a mere speculation."

As a matter of fact, life insurance at no period of its history has had the character of a purely benevolent institution, and had not, at this period, assumed the character of a speculative enterprise. The *Insurance Times* (Dec., 1873), however, fully recognized the true nature of life insurance in its interpretation of the character and objects of the British Prudential in the statement that "the Prudential is a company which makes no loud-sounding

* "I fully believe that to-day the next most pernicious thing to vice is charity in its broad and popular sense." (W. G. Sumner.)

"The number of our almshouses, asylums and charitable institutions of all sorts, of which we boast so much, is really our shame." (R. T. Ely.)

pretensions—it makes no parade of philanthropy, and of its wish to benefit the human race.” This company says, in substance, “We are business men, and must be paid for our trouble; we therefore charge an extra premium for extra trouble, and collecting money shilling by shilling involves no little extra trouble. But in return we guarantee you as much absolute security as is enjoyed by those who have large sums to invest,” and hence the conclusion that “If the amounts which were actually paid to workmen upon the occurrence of death by the life insurance companies during the year 1872 are compared with the relief afforded within the same period by the friendly societies, it will be found that the insurance companies have proved in practice far the more beneficial,”* and the further conclusion that “The Prudential Assurance Company [of London] has not only enlarged the sphere of life insurance, but has conferred a substantial benefit upon the working classes. We can readily appreciate the feelings of pride with which the directors of the company, in looking back upon the splendid success which has been achieved by the company during the past year, claim that their triumph is one of the most memorable that has ever been gained by any life insurance company,” and to these remarks the *Insurance Times* adds, “We urge once more, as we have already urged before, the speedy establishment of a good industrial insurance company in New York.”

Reference has been made to numerous attempts to combine the functions of a savings bank with the functions of a life-insurance company, and one reason why so many of these projects originated at just about this time is to be found in the fact that, in consequence of numerous failures of Ordinary life companies, savings banks were held in higher esteem among the working classes than the numerous life-insurance projects of the period. Once more a distinct antagonism of life-insurance companies to savings banks was developed, but, as was pointed out by the

* In a paper read at the International Congress of Charities, held in Chicago in 1893, it was pointed out that in the town of Rochdale, out of a total sum of £23,952 paid out for funeral expenses, £19,493 was paid by Industrial companies, while the local Friendly Societies contributed £4,027 and the Trades Unions £432. Thus it was shown that in a town recognized by economists as one in which thrift institutions of all kinds have prospered most, Industrial insurance holds to-day first rank as a means of providing for the expenses of burial and incidentally for the cost of the last illness.

Monitor and other insurance journals, the one class of institutions had never seriously interfered with the other, and, "on the contrary, it is more likely that the business of each has been larger on account of the other's existence." However, as I have had occasion to point out, habits of systematic saving had not been extensively developed in the industrial population previous to 1875. The difference between savings banks and insurance companies is essential. The savings bank represents a different form of voluntary thrift from that of the insurance company. The depositor is not required, and is not induced to deposit weekly or monthly, the surplus of his income over his expenses, but, once he becomes a life-insurance policy-holder, a certain degree of compulsion forces him to make premium payments weekly, quarterly, semi-annually or annually, as the case may be. This essential difference between savings banks and life-insurance companies should be better recognized than has thus far been the case, and from this point of view, I feel satisfied that insurance companies, especially Industrial insurance companies, represent a more distinct form of thrift promotion than the ordinary savings banks.

Previous failures to combine the two thrift functions into one had not discouraged those who were more favorably inclined towards savings banks than towards life-insurance companies. Among those who made the most determined, as it was in a measure the last, effort to establish savings-bank insurance was Mr. Elizur Wright, the well-known actuary and former Insurance Commissioner of Massachusetts, who in 1872 commenced an agitation in favor of a Family Bank,* which, though devised by one experienced and familiar with life-insurance theories and practice, was at once as vicious and as weak as any method which had ever been devised to develop both objects of savings and insurance. In advocating his plan of savings-bank insurance, Mr. Wright went to such extremes that in the end he became the open antagonist and enemy of all forms of life insurance, conveying to the public the idea that "the system of life insurance as generally conducted was a humbug and wrong, iniquitous and deceptive, unfair to the policy-holder, unsafe to the companies, and altogether behind the age, and unworthy of the American people." The attacks on life insurance made by

* *Politics and Mysteries of Life Insurance*, Boston, 1873.

Mr. Wright induced Mr. English, the editor of the *Insurance Times*, and a life-long friend of Mr. Wright, to express himself in an open letter as follows: "The failure of your attempt to foist your scheme upon the life-insurance companies was followed by your bitter and unwarrantable attacks upon the life-insurance system and companies of America. You have left nothing undone, unsaid and unpublished, to destroy public confidence in all the life companies, and, if possible, to ruin the business" (*Insurance Times*, September, 1874). It would be difficult to frame a more severe and just condemnation than this. Mr. Wright's plan was never carried into actual practice, but it is claimed, by those who are familiar with the facts, that some of the companies which embodied some of Mr. Wright's theories into their practice, and which were guided by his advice, were unable, in consequence of his unsound theories, to meet their outstanding contract obligations, to the serious disappointment of the thousands of widows and orphans who were thus deprived of their legitimate support.

While, by the close of 1874, the problem of life insurance for the masses had, no doubt, received more serious and thoughtful recognition than ever before, no one seems to have had the courage to undertake a task which gave every indication of failure and very little assurance of success.

As an indication of the attitude of experienced life managers towards the new system of insurance, by this time so successfully practiced in England, I quote a few remarks from interviews reported in the *Spectator* during the first half of the year 1874. These interviews are very suggestive in the light of future events, and I abstract a few replies which are of special importance. In answer to the question put by the *Spectator*, "Do you think that this system can be made to furnish safe insurance?" Mr. Heber Smith, the Vice-President of the Northwestern Mutual Life Insurance Company, replied: "I have not become familiar enough with the principles underlying the 'industrial' scheme of life insurance to speak definitely regarding its adaptability, but from what I know of it, I have no desire, as an officer, to experiment with it" (January, 1874). In reply to the same question Mr. Samuel H. White, Vice-President of the Charter Oak Life Insurance Company, replied: "So far as I have examined the plan, I think it impracticable, unless the sole object is for the poorest classes to provide a 'burial fund.' Practically, it can not do much good" (February, 1874). Mr. Nathan D. Morgan,

President of the North American Life Insurance Company, replied to substantially the same question, "I would promote, in every proper way, a habit among the poorer classes of investing a portion of their earnings in life insurance. Some mode should be devised for doing this at less cost than under the present agency system" (May, 1874). Thus it appears that some of those who were in a position to know either did not favor the plan, or but imperfectly understood the essential principles of the theory and practice of the system, while no one seems to have had the courage to undertake the formation of a company designed to transact Industrial insurance, even in connection with, or as a part of, the business of an Ordinary life company.

While the insurance press continued to give considerable attention to the general subject of Industrial insurance, the *Insurance Times*, more than any other publication, continued its advocacy of the system, and of the establishment of an Industrial company in the United States. The editor, Mr. Stephen English, not only gave space to the general discussion of the principles and practice of the business, but supplemented such theoretical discussions with practical demonstrations of the benefits and results of Industrial insurance from the standpoint of public policy. In an article entitled "The Progress of Industrial Insurance," the *Insurance Times* (April and May, 1874) pointed out the educational influence of this work among the masses of the people as in itself a matter of importance and of immense value. In explanation, the statement was added that "Year after year these thousands of artisans and operatives, thus effecting insurance on their lives, are taught thriftiness, carefulness, prudence, and forethought. The very fact that these thousands of workingmen are induced to make timely provision against the day of death, by life insurance, for even ever so small an amount, is a proof that the recklessness, selfishness, and spendthrift habits of these men are giving way before better influences, and that the future of their homes and families is of more consideration to them than to any of their class in days gone by." A more worthy and deserved tribute has seldom been paid to the English workingmen than in the above lines, written by one who, although unknown to the American working people, yet rendered them a most important service, and to him Industrial insurance owes a debt of gratitude, as one who during a dark hour of American social history did much, if not most, to keep the facts pertaining to Industrial insurance

before the public, and who, in spite of discouragement, did not despair of seeing his ambition realized by the early establishment of an American Industrial insurance company.

It was otherwise with Mr. Elizur Wright, who, for reasons which will probably never be known, had been opposed to Industrial insurance almost from the time the system had been gaining ground in England, and who, as far back as 1865, had been making attacks on what he called Industrial insurance, but what in reality was the old system of Burial Societies, which was then rapidly passing away, giving place to the modern form of workingmen's insurance on the Industrial plan.

In an open letter to the editor of the *Insurance Times*, dated May 26, 1874, Mr. Wright summed up his charges against Industrial insurance, stating that it was his conviction that "the evil of Mr. Harben's gigantic success decidedly outweighs the good." Among other charges Mr. Wright asserted, as a matter of fact, that the system was one productive of infanticide, that the companies were living on lapses, and that the general system was an iniquitous one, and practically of no further benefit than that it was profitable to Mr. Harben and the stockholders in the Prudential. Mr. Wright confined himself to generalities, making, however, specific charges without a single statement of fact, and, though himself an actuary, he expressed an actuarial opinion without actuarial testimony or facts to support it. He referred to Mr. Gladstone's remarks in 1864, to the effect that the Prudential was insolvent, but he did not say that these remarks of Mr. Gladstone's had been refuted and proven unfounded by the highest actuarial authority in England, the President of the Institute of Actuaries. He repeated the thirty-year-old charge of child-murder for insurance money, occasionally made against the old-time type of Burial Clubs, without citing a single case in support of his monstrous allegations.

Mr. Wright was immediately answered by Mr. James Alexander Mowatt, a man thoroughly familiar with the practice of Industrial insurance in England, and also, under date of June 23rd, by Mr. Harben, who, in an open letter addressed to the editor of the *Insurance Times* (published August, 1874), emphatically and ably refuted the charges made by Mr. Wright by a simple statement of the facts in the case. Mr. Harben concluded his letter with the following remarks, which I quote as they are

likely to be of permanent interest to the student of the development of Industrial insurance in this country :—

“The theory that a working man should be prohibited from insuring the means of burying his child because the sum of thirty shillings (seven and a half dollars) will tempt him to commit murder, hardly needs serious discussion.* Can Mr. Wright support this argument by the slightest trustworthy evidence ; and if he can, is murder for the sake of insurance money confined to ‘the poor,’ because, if not, why not go further ?

“Why do the critics of this Company always speak in general terms? Why do they not make some definite charge against it, and instead of confining themselves to “may-bes” and “no doubts,” point out any engagement broken, any benefit withheld, or any promise unfulfilled? But no! The Prudential Company may have faithfully performed every engagement into which it has entered ; it may have opened up a new source of joint-stock enterprise ; it may have brought the benefits of life insurance within the reach of the humblest classes ; but it has not justified the predictions that would-be-prophets made by egregious failure. It has committed the unpardonable crime of success.”

To these distinct and well-supported charges of inconsistency, ignorance and perversion of facts Mr. Wright made no reply, except in a rambling communication under date of August 14th, in which he once more shifted the burden of proof to generalities not deserving of space. This unworthy attempt to evade the real points at issue, brought forth a most emphatic and scathing reply from Mr. English, the editor of the *Insurance Times* (September, 1874), who expressed himself, in part, as follows : “You have, upon your own admission, made mistakes in your attempts to reform life insurance, and your blunders have made the insurance fraternity mistrustful of your theories and experiments. The officers of our life companies would be recreant to their fiduciary duties if they allowed themselves to be bullied into an acceptance of your scheme, and they only show a proper and manly spirit in

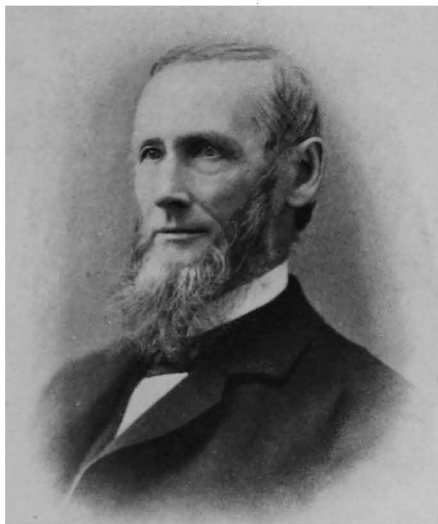
* “The time has passed for dealing with the masses as children who are to be treated to truth in quantities and on occasions suited to their welfare or the interests of society. The political economist only abandons his ground of vantage and forfeits the confidence of the community when he accepts any responsibility for the use that may be made of the truth he discovers and discloses.” (Francis A. Walker.)

resenting your misrepresentations and decial, by letting you contemptuously and severely alone."

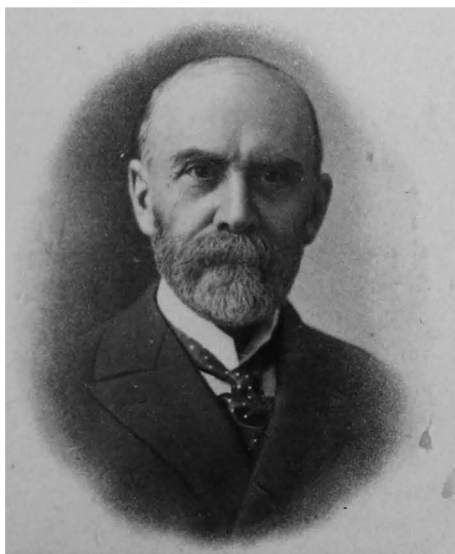
Industrial insurance can not be said to have been injured by this controversy, and the subsequent correspondence on the subject. Clear and emphatic proof had been produced that the system was not only worthy of public confidence, not only met a great public want, but, also, could be undertaken on a business basis, and was likely to produce a fair rate of profit in return.

Forces, independent of the agitation of the *Insurance Times*, were making for a better public understanding of the subject, and tending towards a more clearly recognized necessity for the establishment of genuine Industrial insurance in the United States. While, as we have seen, Mr. Wright, as a former Commissioner of Insurance of Massachusetts, had proclaimed himself an open and uncompromising opponent to the introduction of the system, another Massachusetts Commissioner, Mr. Julius Clarke, in his annual report for 1874, came forth plainly and emphatically in favor of the system of Industrial insurance as practiced by the British Prudential. In this report, which must ever be looked upon as one of the foundation-stones of the present-day structure of American Industrial insurance, Mr. Clarke addressed the Legislature as follows:—

"In presenting to the Legislature a general view of the different matters of interest and importance relating to insurance, which have attracted attention during the last year, reference should be made to the subject of industrial insurance. The term is applied with sufficient appropriateness to insurance for small amounts, supposed to be particularly adapted to the wants of persons of small means, who are engaged in various industrial pursuits." After giving a brief historical sketch of the origin and growth of Industrial insurance in England, Mr. Clarke dealt with the practice of the British Prudential, and pointed out that "Though it does not, like the old Friendly Societies, guarantee allowances in sickness, yet like them it adjusts the amount of insurance to the premium paid; that is to say, instead of naming certain sums as the premiums for which it will insure the payment of ten, a hundred or a thousand pounds at death, it offers certain amounts of insurance in return for the payment of small fixed sums each week; such as one penny, twopence, threepence or fourpence, as the case may be. Like the Friendly Societies, also, the company sends its collectors from house to house and collects



Julius L. Clarke-



John E. Clarke

the premiums weekly." Thus Mr. Clarke had thoroughly and completely grasped three of the four essential principles of Industrial insurance,—the charge of a weekly premium, the adjustment of the amounts of insurance to this weekly premium, and the collection of the premium weekly from the house of the insured,—and, as we shall presently note, he had not overlooked the fourth essential, the principle of family insurance—that is, of persons of both sexes and all ages.

Mr. Clarke did not fail to recognize the historic continuity of the business and its direct relation to the Friendly Societies and earlier forms of burial associations. In his own words, "The secret of the success of this company may be found in the fact that the ground had been thoroughly prepared for the new system by the old societies. *The company merely takes advantage of tradition, habits and ideas that have been the growth of more than a century.* In their adoption and application it is hoped that the company will not, like so many Friendly Societies, prove in the end a failure."

In explanation of the fourth cardinal principle of Industrial insurance,—that is, the insurance of every member of the family, and incidentally the insurance of children,—Mr. Clarke stated that "One of the objections made to the Company's mode of doing business, is, that it grants insurance upon the lives of young children. This was the practice of the Friendly Societies, and in regard to them, also, the objection was urged that the practice held out inducements to infanticide. The managers of the Friendly Societies contended in reply, that the character of poor people is not such as entitles the objection to weight, and for the credit of human nature it is hoped they were right. They maintained further, that even if the danger existed, which they denied, it might be amply guarded against by requiring proper medical examinations and certificates. The contract of life insurance being unlike that covering a fire or marine risk, a contract of indemnity, it is not absolutely necessary that the interest in the life insured should be of a pecuniary nature. The parental relation in itself is all that is required to support the contract. Were a pecuniary interest requisite, life insurance might still be properly invoked to provide against extraordinary expenses forced upon a poor man by sickness or death in his family, as well as to compensate him for the loss of aid and assistance derived from the

services of his child." This extended quotation shows how carefully Mr. Clarke had gone into the facts of the case, and how well he had considered the *pros* and *cons* of a question to which there were bound to be at least two sides.

Mr. Clarke had also considered the question of cost and the expense rate of transacting an Industrial business, stating that "It has also been stated that the rates charged by the Prudential upon its small policies, are unreasonably high in proportion to those usually charged upon policies of larger amounts; also that it makes no dividends, and pays no surrender values"; but, he adds, "it is unnecessary for our purpose to examine in detail the Company's mode of doing business, if the prices it charges are out of proportion to the benefit it confers, the proper ratio will ere long be established by competition." Mr. Clarke recognized fully that stability was the main point in regard to all institutions created for the purpose of insurance, and especially so in the case of those designed to bring life insurance within the reach of the masses. Quoting his own words, "The number of persons whose happiness is staked upon the solvency of institutions of the latter class is larger, and they are persons whose situation is such that the distress produced by disappointment is more cruel." It is clear that Mr. Clarke realized fully that the most vital element in Industrial insurance is the absolute necessity that such insurance shall be of the same intrinsic value as life insurance on the Ordinary plan sold to the well-to-do, leaving the question of cost and the expenses of conducting the business, which consists of a multitude of intricate transactions, to the people themselves and to the law of competition which regulates profits in similar business undertakings.

Extended consideration was thus given by an intelligent Insurance Commissioner to a business which had not yet been established in this country, and his views were communicated to the Legislature of Massachusetts solely for the purpose of placing before the people of the State the facts pertaining to a business which, from his point of view, was one of great public benefit, and which was deserving of attention from the standpoint of public policy. His opinion as to whether the time had come for the organization of such companies in this country, is expressed in the following quotation: "It does not of course necessarily follow, that because there is a demand in England for small

policies, as shown by the experience of the Benefit Societies and the success of the Prudential, that therefore a similar demand exists in this country. Various circumstances, however, indicate that the want exists here also. As one of these, may be mentioned the great variety of forms in which what is called co-operative insurance crops out. This Department has long been and still is greatly embarrassed by the frequent attempts to impose this *co-operative fallacy* upon the community, and all the more so because they are often made by people of most excellent intentions and unimpeachable respectability. Though co-operative insurance sometimes resembles industrial insurance in the smallness of the amounts in which it is furnished, it is in substance essentially different.

"All the different contrivances practically adapted for the promotion of saving, among which life insurance is to be considered one, are deserving of encouragement. They increase the capital of the community, indispensable for the organization of industrial enterprises, and aid powerfully in the development of the material wealth. Numerically the people of small means form a large part of the population, and their contributions, although humble singly, are in the aggregate of importance. Any accumulation of means which inures for their benefit is valuable, not only on account of the capital which it furnishes taken collectively, but also because it brings improvement to precisely the very people whose material condition stands most in need of it." And, finally, "The further extension of life insurance in Massachusetts is no doubt a subject of so much importance, that it might very properly occupy the attention of the Legislature. But it is very doubtful whether the Legislature could devise any measures that would be of service, in aiding directly in the introduction of industrial insurance. Fashions, however, are so contagious that it is not unlikely that some attempt may be made to introduce here a kind of insurance at present so popular abroad. Should this be the case, it is highly desirable that legislation should establish all proper precautions against insolvency and fraud."

The report of Mr. Clarke could hardly have become generally known until after the first half of the year 1874, for, as is usual with public documents, they are printed and distributed to the public some months after the close of the legislative session; hence it is not strange that it was not until the latter part of the

year that a new and apparently energetic effort was made to carry the frequent suggestions of the *Insurance Times* and the more recent suggestions of Commissioner Clarke into actual execution. In the *Insurance Times* for October, 1874, is a notice of the proposed organization of a company contemplating the transaction of an Industrial business, which I quote as follows: "The appeal made by Commissioner Clarke, in behalf of the requirements of the industrial classes with respect to life insurance, has met with a prompt response from the capitalists of this city [New York]. Progress has already been made in the organization of a new life company, to be entitled the "Prudential Insurance Company of America," to be conducted on a plan similar to that of the Prudential of London, which has been attended with so much success and benefit to the indigent working classes."

Despite the preceding businesslike announcement, nothing seems to have been done to effect an organization, and there is no record that the company was ever incorporated and authorized to transact business, but there is a brief notice in the December number of the *Insurance Times* (1874), indicating that the projected new company had difficulties, perhaps on account of its inability to raise the necessary capital of \$100,000, with which it was proposed to organize. It would be interesting to know who were the promoters of the enterprise and why the same failed in its earliest stages without having had, at least, a fair trial, but there is no record of the names of those who made this second attempt to organize a Prudential Insurance Company of America, and thus, at the close of 1874, Industrial insurance was still a probability, but with every assurance of early realization.

The report of Commissioner Clarke attracted considerable attention outside of Massachusetts, and came to the notice of Mr. John F. Dryden, who for some years had given considerable attention and thought to the study of Industrial insurance. Mr. Dryden must needs have been strongly influenced by so urgent a plea for the organization of an Industrial insurance company, coming from a source free from bias or prejudice, and from a man fully capable of dealing with so intricate and highly involved a subject.

It is often argued that the unstinted praise of Industrial insurance, its methods and results, on the part of the press in

general, and the insurance press in particular, is due to the fact that the Industrial companies are advertisers in these journals, and that the latter are, therefore, interested advocates or special pleaders. Unwarranted as this opinion is, it has much semblance of truth, in that newspaper praise is, unfortunately, too often the result of a personal interest, while, conversely, newspaper fault-finding is too often the result of personal spite or prejudice; but here we have overwhelming proof that before a single Industrial company was organized in the United States, the more intelligent insurance press, and especially the *Insurance Times*, devoted columns and pages to the discussion of the new form of life insurance, which certainly brought not a cent of direct compensation to the owners or managers of this particular journal; and we find the leading Insurance Commissioner of the United States, in 1874, making a special plea in six pages of his report, long before an Industrial company had ever paid a dollar in taxes or license fees to the Department of Insurance of his State. Surely this may be accepted as proof that the system was early recognized as one of intrinsic value, and that it was advocated because it was likely to meet a large and increasing demand for life insurance by the industrial masses of that State.

As another illustration of the earnestness and ability with which the editor of the *Insurance Times* advocated the establishment of an Industrial insurance company in the United States, I quote from an article which appeared in the October issue of that journal for 1874, which brings out with much emphasis the reasons which influenced the editor to devote so much space and time to the advocacy of the new form of life insurance in this country:—

“The worthiest members of this class [the working people] have been betrayed continually by the most specious inducements to invest their little spare cash in associations and companies promising the most alluring profits and advantages imaginable. Their promises have been broken, and those that trusted in them have consequently been subjected to cruel loss and privation.” And after quoting in full that part of Mr. Clarke’s report which dealt with Industrial insurance, and to which was thus given a much-needed amount of publicity not usually accorded to a public document, the article continued: “There is, therefore, a great need of its adaptation to the wants of the laboring classes,

not by unreliable parties, but by those who would worthily command the entire confidence of the people. * * * * To answer the purpose indicated, it is of no avail to introduce agencies of remote companies, however excellent, or to place the conduct of this business in the hands of persons not recognized by the public as leading men of the highest rank in the insurance world. * * * * The schemes already afloat and worked by men without repute, have only beclouded a fine opening, and rendered its prosecution more difficult by the disappointment and prejudice which have been engendered by unsatisfactory experience. * * * * If the duty of supplying the need of life insurance to the industrial classes were undertaken by a superior underwriter, at the head of a great life institution, they would dissolve like wreaths of mist in the blaze of the summer sun."

Thus, after years of agitation, Mr. English, as editor of the *Insurance Times*, had reached the conclusion that it no longer was merely desirable that the business of Industrial insurance should be undertaken by a responsible company, but in the above sentence he speaks of the "duty of supplying the need of life insurance to the industrial masses," and he concludes with the hope that the "suggestion of Commissioner Clarke, which almost assumes the form and urgency of an appeal, will meet a fitting response from some one of the master minds of the life underwriting fraternity."



HOME OFFICE OF
THE PRUDENTIAL FRIENDLY SOCIETY,
1875-1878.

CHAPTER V.

THE PRUDENTIAL FRIENDLY SOCIETY, 1875.

It is self-evident that the period of agitation and experiment had passed, and that the time for the foundation of an institution on the basis of the English Friendly Societies and the British Prudential had come with the new year, 1875. While Stephen English and others had pleaded and argued for the organization of an Industrial company, there were those who were strongly in favor of forming an institution more in harmony with the principles and practice of the Manchester Order of Unity and the Royal Liver Friendly Society,* which combine a provision for aid in sickness with assurance for a sum sufficient for burial expenses in case of death. Many factors contributed to favor the latter form, not the least of which, if not the most important, must be considered the large amount of sickness prevailing in the large cities of the United States during the early seventies. As a rule the mortality was above 25 per 1,000 of population, often rising as high as 30 per 1,000 during a single year. The larger part of this excessive mortality was caused by zymotic diseases, and the disease prevalence was in general far in excess of that of the present time.

What was generally true of most of the large cities of the East was true in particular of Newark, N. J., which at this time had a population of about 120,000, and held high rank as one of the most important manufacturing centres in the United States. The average death-rate of Newark for the period 1872-'75 was 31 per 1,000 of population. Smallpox, typhoid fever, diphtheria, scarlet fever, and especially consumption were all excessively prevalent during this period. While the general mortality was high, the mortality at the younger ages was even more pronounced, the increase in the death-rate at ages under ten, for

* This society no longer transacts a sickness insurance business.

instance, having been largely in excess of the increase in the population.

Taking into consideration the fact that Newark was almost exclusively a manufacturing city, with a large proportion of its population depending on weekly wages, it is quite clear, to any one who has at all studied the relation of an excessive mortality to social welfare, that it was here, as in England (in Liverpool, Birmingham and Manchester), that the demand for Industrial insurance should first manifest itself in a most emphatic form, and, as we shall point out more clearly later on, it was from the large employers of labor that the first direct assistance came in the formation of a society and later on of a company as a remedy for the ills resulting from social burdens beyond the strength of the average individual workman.

It is much to be regretted that data are wanting as regards the actual amount of pauperism and poverty prevailing in Newark at this period, but, from census returns and other fragmentary data, it is evident that pauper funerals were exceedingly common in Newark during the early seventies. For New York City, where conditions were even worse than they were in Newark, actual data as to pauper funerals are available, showing that the rate of such funerals per 10,000 of population was 33.1 during 1870-'74, against an average rate of only 22.0 during the five years 1895-'99. Hence, it is shown that not only were pauper funerals exceedingly common during the years preceding the establishment of Industrial insurance, but since that date a material reduction in number has taken place.

Such conditions as have been pointed out are likely to prove an incentive for the development of plans tending towards improvement by the application of insurance principles, which aim to do away with the necessity of a demand for public charity from an otherwise able and intelligent body of workingmen, making worthy efforts to solve life's problems in their own way and within the limits of their means.

It was to Newark that Mr. John F. Dryden had come, in 1873, with the purpose of launching his new scheme of workingmen's insurance. Surely he could not have selected a more appropriate locality, a better city for a trial of his new ideas in life insurance and finance, and a more promising field for the first application of English principles of Industrial insurance to

American social and economic conditions. Time has proved that the selection of Newark was a most wise one ; time has proved that Mr. Dryden was right in his conception of the future possibilities of Industrial insurance on American soil.

Mr. Dryden had for some years devoted much time and study to the question of life insurance for workingmen and their families, his attention to this branch of the business having been attracted by the report of Elizur Wright on the methods and condition of the British Prudential. On digesting these commentaries of Mr. Wright and Mr. Gladstone, Mr. Dryden did not take their conclusions for granted, but procured all the reports and data of the English company and the British Friendly Societies, and after a careful study of the facts concluded that Mr. Harben and the English people were right, and that Mr. Wright and Mr. Gladstone were in error.

Satisfied that the business was deserving of a trial, when modified to meet American social and economic conditions, Mr. Dryden first submitted his plans to some people in his native State (Maine), but no encouragement was given for a practical demonstration of his ideas. Not discouraged, he had come to Newark in 1873, and, after interesting a few people in the matter, had a bill passed by the Legislature, chartering 'The Widows' and Orphans' Benefit Society, but, as has been pointed out, nothing substantial came from this effort, an effort too much in harmony with the prevailing idea of providing workingmen's insurance on the "Bund" or "Union" plan. After a brief experiment, it was found necessary to alter the original plans, and in the spring of 1875 the charter of 'The Widows' and Orphans' Benefit Society was amended so that the name of the society was changed to that of 'The Prudential Friendly Society, which, in 1877, by another amendment became 'The Prudential Insurance Company of America.

Among the incorporators of the society were many leading merchants and manufacturers, who, according to a sketch in the *Newark Standard*, "had been daily called upon for subscriptions to bury the poor or furnish aid in sickness and distress." It was well for the new enterprise that men of exceptional ability and known integrity and experience should have been drawn into the formation of the new insurance project, since the frequent failures of so-called Aid Societies or Fraternal Societies, parading

under the guise of high-sounding titles and often supported by names well known in the world of finance and commerce, had only too often fallen far short of their promises and shamefully betrayed a most sacred trust.

It will be recalled in this connection, how earnestly and persistently the *Insurance Times*, in its frequent articles in favor of the organization of an Industrial insurance company, had insisted that "It is all-important that whoever undertakes it should stand so high as to command the entire confidence of the people, and be able to gather about him a corps of coadjutors and subordinates who would work with him with intelligence, zeal and industry, incapable of despair, flagging or failure."

It was, therefore, most fortunate for the cause of genuine workingmen's insurance that from the outset the new organization had the moral and material support of the very best commercial and financial element in the city of Newark. In a notice of the actual commencement of business operations by The Prudential Friendly Society, the Newark *Evening Courier* of November 13, 1875, referred to the managers of the society as follows: "The gentlemen who have the management of this important and humane enterprise are too well known in Newark to require our endorsement. Their names are a synonym for financial strength and integrity, and our people know that funds entrusted to an organization which is under such control will be guarded with sacred care." The Newark *Register* of the same date referred to the society in the following words: "One of the most gratifying facts connected with this society is its strength and security," and it "*may be said to be founded upon a rock*,"—a rather curious coincidence, considering the fact that the motto of the Company, "The Prudential has the strength of Gibraltar," became, in course of time, a household word.

While the charter of the society had been supplemented on February 18, 1875, which must be considered the date on which Industrial insurance had its beginnings in the United States, it was not until November 10, 1875, that the actual business operations commenced, and it was on this day that the first application was written on the life of the then cashier of the German Bank, Mr. W. R. Drake. The name of John F. Dryden, the first secretary of the society, appears as a witness to the application, which is reproduced in full on the opposite page.

Not to be filed
in any office

ADULT APPLICATION.

THE PRUDENTIAL FRIENDLY SOCIETY,

NEWARK, N. J.

DECLARATION TO BE SIGNED BY THE APPLICANT.

I do here that the answers to questions Nos. 1 to 20 inclusive, herin further stated, are strictly correct, and that I have without an intentional misstatement, I agree that these answers and this statement shall be the basis of the contract between me and The Prudential Friendly Society for securing the benefit herein applied for, and which, if granted, shall be on terms contained in each Certificate of Membership as shall be issued in pursuance of this Application. And when such certificate shall be issued I agree to conform to the rules and regulations of the said Society, which are now or may hereafter be established.

Witness John Doyden Signature of Applicant [Signature]

Dated this 10th day of Nov 1875

1. What is your full name? John Doyden
2. Where do you live? Newark N.J.
3. What is your occupation? Banker
4. What is your age and birthday? 30-
5. How tall are you height and weight? 5' 8" 120 lbs.
6. Are your father and mother both living? Yes
7. If living what are their ages? If dead, state age at death? Fair
8. Are you now and have you always been single and unmarried? Yes
9. Are you now or ever married? Yes
10. Do you usually enjoy good health? Yes
11. Have they ever you have been sick or afflicted with a disease which your health is now impaired? Never

FIRST APPLICATION RECEIVED BY
THE PRUDENTIAL FRIENDLY SOCIETY,
NOVEMBER 10, 1875.

12. Have you ever suffered from Bronchitis, Asthma, Spitting of Blood, Disease of the Lungs, Heart or Liver, Apoplexy, Paralysis, Insanity, Lumbago, Kyrspelas, or any other serious disease.....

No
500

13. Is there any hereditary disease in your family.....

No

14. Is there anything in your Physical Condition, Habits, Restraints or Occupations that makes a risk on your life or health more than usually hazardous.....

Yes - 10 years ago - Not had 1000 in Equitable

15. Have you ever been rejected by any Life Insurance Co.?

No

16. What is the average amount of your wages or salary.....
(This question need not be answered unless a benefit is desired to insure.)

Weekly when sick and on	Annually after 60	At Death	Table
\$ 10-	\$ 500	\$ 500.	Column

17. Are you now entitled to receive from this or any other Society or Company, any payment in case of sickness? If so, what are you entitled to receive?
(Unless a benefit is desired, this question need not be answered.)

18. What benefit do you now apply for.....

Monthly

19. How often do you wish to pay contributions.....

Legal heirs

20. Name and Relationship of the party to whom benefit in case of death is to be paid.

Relationship

Names and address of two persons consulted with your health to be referred to if desirable.

Name

Name

Address

Address

AGENT'S REPORT

A. Has the Applicant a healthy or unobviously appearance.....

Healthy

B. Does the applicant show any indications of intemperance.....

No.

C. Is the Applicant lame or blind or is there any physical defect or infirmity.....

No.

D. Is the Family of the Applicant Consumptive.....

No.

E. From inquiries personally made are you satisfied that the Applicant is in every way thoroughly sound and healthy.....

Yes

F. Does the Applicant appear to be of the age stated.....

Yes

G. Does the Applicant appear to be in good circumstances, and able to pay up the membership.....

Yes

I have this *10th* day of *November* 1878 personally seen and examined and of opinion that he is in *good* health, and I recommend the Society to accept the Application at *first* class rates.

* State whether good, intelligent or bad. If ill in first, second or third class.

Robert F. Dyer

*Contra Indication
Covers at 60
\$10 per week when sick
\$500 on death
\$500 at 60
Cylinder Indication*

1878

Before taking account of the events following this actual commencement of business operations, it is necessary to consider briefly the general facts relating to the period which had elapsed from the time the charter of The Widows' and Orphans' Friendly Society had been amended on February 18th, to November 10th, when the first application for membership in The Prudential Friendly Society was made.

During the month of January, 1875, the discussion and public consideration of Mr. Wright's savings-bank plan continued, and much attention was given to his many publications on the subject, especially his bitter attacks on regular level-premium life insurance. The Boston Board of Trade took the matter into consideration and proposed "to inaugurate a new movement in life insurance," which, had it succeeded, it is not too much to say, would have made Industrial insurance unnecessary and impossible. The Board of Trade unanimously approved the plan of Mr. Wright and recommended that the same should be tried on the ground that "the people who most need life insurance can not well afford the luxury of the agency expenses of the present system." It will be observed that this was in direct opposition to Mr. Wright's earlier plea, that the agency system was indispensable to the extension of life-insurance principles to the masses. It had been further recognized by this time, in the words of the *Monitor*, that "any man who knows anything about life-insurance companies understands perfectly well that soliciting agents are their motive power." While something was to be said in favor of Mr. Wright's scheme, the people at large, and especially those best informed in the science and practice of life insurance, were opposed to his project on the ground of its utter impracticability, and the opposition is best expressed in the words of a member of the Massachusetts Legislature, who, in explanation of the reason why the Legislature had refused Mr. Wright a charter for his proposed company, said that "Mr. Wright's plan was looked upon as impracticable, very ingeniously contrived, but wholly without motive power," since, as has been stated, it was proposed to employ no agents to acquaint the public with the merits of the scheme by a direct canvass, such as is made by Ordinary and Industrial companies.

While this discussion was engaging the attention of the people in the Eastern United States, an effort was made in Hamilton,

in the province of Ontario, Canada, to organize an Industrial company on the plan of the British Prudential, by the name of The Industrial and Commercial Life Insurance Company, but, as far as I have been able to learn, practically nothing was accomplished, and no actual business was ever transacted. This fact is of interest merely as an indication of the growing demand for Industrial insurance in all parts of the country. The great English company continued to attract attention on this side of the Atlantic, and its success as recorded in the insurance journals must have offered tempting inducements to American insurance managers to try the same experiment. The report of the British company for the year 1874 had stated that there had been issued during that year the almost incomprehensible number of 888,758 Industrial policies, against 646,377 policies issued during 1873. The returns of the company were extensively commented upon, and led the *Insurance World* (1875, p. 82) to remark that the system of Industrial insurance is yet "in its chrysalis state in this country," which was strictly true, for Mr. Dryden and his associates were working almost day and night to perfect the organization of a society which in time was to prove the first successful Industrial insurance company of American origin to be operated on the plan of the British Prudential.

As has been stated, Mr. Dryden had had the subject of Industrial insurance under consideration for some years, and had not only made himself familiar with the leading principles and features of the system of the British Prudential, but he had also carefully considered and studied the plans of the English Friendly Societies, and in particular the Manchester Order of Unity, and the Trading Societies, like the Royal Liver, of Liverpool, the latter of which made a specialty of burial insurance for all the members of a family. With the object of developing in the United States a new form of workingmen's insurance, which would combine all the virtues of the old plans, while eliminating, as far as possible, the weak points, which had been the cause of so many disastrous failures, Mr. Dryden secured all the available information from England, entering at the same time into correspondence with Neison and Ratcliffe, the highest authorities on Friendly Society practice of this period.

The one broad fact which remained with Mr. Dryden as the result of his study and investigation must have been the

conclusion pre-eminent in the minds of all English students of the subject of Friendly Society practice and finance, namely, that an actuarial basis was the first requisite to make possible the success of an undertaking of this kind, and with this thought in mind, Mr. Dryden entered into communication with Mr. John E. Clark, Professor of Mathematics at Yale College, who seems to have made himself thoroughly familiar with the actuarial and financial basis of life contingencies.

From letters of Mr. Clark addressed to Mr. Dryden, during the months preceding the actual commencement of business operations, I make a few extracts, as likely to prove of more than passing interest and importance to the student of Industrial insurance history.

In his first letter to Mr. Dryden, dated March 26, 1875, Mr. Clark referred to the dearth of information on the subject of insurance, and especially on sickness and mortality, in the possession of Yale College, and intimates that his knowledge of the subject has been practically confined to a study of Neison's work on Vital Statistics. Influenced, no doubt, by the investigations of Neison, the great value of which is recognized even at the present time, Mr. Clark seems to have devoted considerable attention to the question of the possibility of successfully transacting a sickness insurance business, and in a letter dated April 26th, he reported to Mr. Dryden that in consequence of his preliminary investigations he could safely recommend the adoption of a plan for the transaction of a sickness, burial and pension scheme, and that, "with strict attention to well-established principles and to detail of administration, it can, in my opinion, be transacted safely, and, if the demand for it be good, with a fair return to the stockholders." He, however, recognized the inadequacy of the data at his command, and in reference to sickness benefits stated that, "by going into operation cautiously upon the basis of this experience, you will be able to gather in your office an experience of your own, which will, after a time, furnish such checks and modifications as may be desirable," and in still another letter, dated April 30th, Mr. Clark repeated his words of caution in reference to the sickness branch of the business, stating that "this branch of the business should be particularly studied." Subsequent experience proved for this country, as it had been true for England, that a sickness benefit business can not be

safely transacted by an insurance company. It is absolutely impossible to guard against sham sickness, imposition and fraud in other directions, and all calculations, on no matter how accurate a basis, will prove inadequate in practice. In consequence, a few years later, The Prudential Insurance Company discontinued the transaction of sickness insurance, after this branch of the business had been given a sufficiently extensive trial to prove that it could not be safely and profitably transacted, and that the demand for this form of insurance protection was much less than had been anticipated, increasing preference being given to life insurance for burial or investment purposes.

Another point receiving considerable attention before the actual business operations had commenced, was the probable and proper expense-rate of a life-insurance business to be transacted on the weekly- or monthly-payment plan, and, while this question in a manner demanded considerable actuarial consideration and treatment, it was still very largely a practical one, demanding the taking into account of the conditions under which the business had to be carried on, namely, by a house-to-house canvass, and the subsequent collection of weekly premiums from the houses of the insured. Mr. Dryden from the outset insisted upon a loading of the premiums sufficient for the safe transaction of the business, holding to the belief that "it would be very easy to make an equitable return to the policy-holder if an overcharge had been made," and he further especially insisted upon safety and permanency, rather than yield upon a point which might have brought more rapid success during the first few years, but have imperiled the future existence of the society; and in these views, Mr. Dryden was fully sustained by Mr. Clark, who, after a lengthy discussion, conceded that—"I shall proceed to carry out your views cheerfully, and the latter, I am sure, do not appear to me in any sense unreasonable from your point of view"; and in closing his letter of June 16th, Mr. Clark added that "in any case of doubt in such matters action should, of course, keep well on the side of safety, and this maxim I have constantly considered in my recent calculations."

In a letter dated June 4th, Mr. Clark makes reference to Mr. Dryden's careful selection of men of ability and prominence as directors and stockholders in the new enterprise, a matter of the greatest possible importance, and one of the formative influences

making for the future success of the company. Mention has already been made of the fact that among the incorporators of the society were men of wealth and influence, merchants and manufacturers of the city of Newark, and Mr. Clark incidentally refers to the matter in stating that "your plan for reaching the different industries through the selection of your directors seems a good one, and you do not seem to be unwise in not hastening too much the completion of your Board." Anxious as Mr. Dryden must have been to commence active operations, he, nevertheless, with a characteristic spirit of patience and conservatism, refrained from making haste at the most critical period of the history of the society, which was to be the future Prudential Insurance Company of America.

It is thus apparent that every step taken by Mr. Dryden had been carefully considered, and it was not until July that Mr. Clark was able to forward the completed calculation of rates for the sickness and annuity branch of the business, and on July 10th the life-rates for the burial branch. In transmitting his sickness calculations he once more emphasized the importance of dealing cautiously with this part of the business, and at the same time pointed out most of the observed dangers pertaining to this form of insurance as carried on by the Friendly Societies in England. Mr. Clark carefully went over the whole ground, so ably discussed by Finlaison, Neison and others, and concluded his recommendations with the advice that "an actuarial valuation of each branch of the business should be made, if possible, once per annum, and that the first of these valuations should be made at least within a year after the business had well gotten under way." To this advice, which is clearly indicative of a thorough comprehension on the part of Mr. Clark of the difficulties incident to the successful transaction of an Industrial insurance business, he added the further advice, which deserves to be remembered as the very foundation of the massive and colossal structure of present-day Industrial insurance, and for the disregard of which so many thousands of so-called fraternal or co-operative schemes have come to an untimely end: "Meanwhile, as at all times, your directors should be impressed with the importance of keeping sacredly the proper reserve on all your policies, so that if your business is successful, as I most sincerely hope it may be, you may secure constantly increasing confidence; and if in the worst

event it should chance to be at all unsuccessful, it may at least not end in dishonor." Such were the foundation principles on which Industrial insurance in the United States was established by The Prudential, which in a brief quarter of a century became known to every one, old and young, as "the Company which has the strength of Gibraltar."

Another evidence of the painstaking efforts of Mr. Dryden, in giving consideration to every possible theoretical or practical aspect of the problem of workingmen's insurance, is found in a letter of Mr. Clark, dated August 24, 1875. Mr. Dryden seems to have called Mr. Clark's attention to an article in the *New York Tribune* on "Life Insurance for Workingmen," which may possibly have been suggested by an address of Elizur Wright on "Life Insurance for the Poor," delivered at the annual meeting of the National Social Science Association at Detroit, Mich., on May 13, 1875. In the *Tribune* article a strong argument had been made for life insurance for the masses, and I can not but think it of value to give a few extracts from a now inaccessible plea for workingmen's insurance on the Industrial plan in the United States.

The *Tribune* had said as follows: "The policies that workmen take at best are small, and the payments of premiums are divided as much as possible; hence the shop and the factory offer an unprofitable ground to the canvassers [for Ordinary insurance], who get a commission on paid premiums only, consequently life insurance is not brought home to the workingman by personal effort, as it is to other classes in this country. This, then, is the difficulty to be surmounted. That it is not impossible is shown by the enormous business of an English company [the Prudential] which makes workingmen's policies a specialty. In Great Britain the insurance companies have found out how to insure the workingman; our companies have not. In these times, while the business of life insurance is dull, and agents find it hard work to earn a living, it might be worth while to study the system adopted abroad. Insurance for workingmen in this country offers an opening into fresh fields and pastures."

In his remarks at the Detroit meeting of the Social Science Association, Mr. Wright had discussed the subject from an entirely different standpoint, expressing the belief that, by means of his family bank, it was possible to introduce "self-solicited"

life insurance for the industrial masses of the United States. As has previously been pointed out, his efforts in this direction proved a complete failure, and such companies, especially the Provident Savings Assurance Society, as adopted his suggestion to transact business without agents, were soon compelled to abandon the plan and revert to the universal method of soliciting insurance by direct personal canvass, the necessity of which had been pointed out as early as 1853 by Tuckett in his insurance journal, to which previous reference has been made. However, there was one remark of Mr. Wright which deserves to be placed on record, and that is, his opinion that, "to adapt life insurance to the poor, it should be reduced to the utmost simplicity, so as to be within the comprehension of the humblest capacity." It may safely be said for Industrial insurance that it fully and completely came up to this demand, and to this fact it owes no small amount of the success which has since been attained.

As an indication of the small extent to which life insurance had been made accessible to the masses, it may be pointed out that, according to a report made in 1875 by the Massachusetts Bureau of Labor Statistics, * out of 397 workingmen's families which made returns of their expenditures, only a single workingman's family paid an annual premium of \$18 for insurance purposes. While practically nothing was expended for life insurance, a disproportionate part of the income was expended for charities and societies, and it is not too much to say that by 1875, workingmen's insurance was practically limited to secret organizations or co-operative benefit societies, most of which, at best, provide only temporary insurance for a small number, who receive benefits during the existence of the organization, an existence which is usually limited to a generation as its maximum period of possible usefulness.

In marked contrast to the investigations in Massachusetts in 1875, the investigations made by the Aldrich Senate Finance Committee on "Retail Prices and Wages," and also by the Michigan and Indiana State Bureaus of Labor, prove that, at the present time, life insurance forms a very considerable element in the expense-rate of workingmen's families, and this result, it may with confidence be asserted, must be attributed largely to

* Mass. Labor Report, 1875, p. 435.

missionary work carried on by Industrial insurance companies in behalf, not only of Industrial insurance, but also of other forms of insurance, savings and thrift; and it may not be out of place in this connection to state that in 1875, although there were then in the State of Massachusetts some 720,639 of savings-banks depositors, with an average deposit of \$330, it was officially pointed out by the Labor Commission of that State that "the fact remains that the English Government aids fewer paupers in proportion to population than our own."*

Attention may here properly be called to a point of more than passing importance, in view of present-day attacks on Industrial insurance as a method by which the poor are encouraged to expend extravagant sums for funeral purposes. While the charge in itself is so absurd that it hardly needs refutation, in view of the self-evident fact that the amounts realized are, as a rule, hardly sufficient to meet the funeral expenses and the cost of the last illness, it may be of interest to call attention to an article in the September number of the *Insurance Times* for 1875, in which the question of funeral expenses and funeral pomp was discussed and from which I make the following extract: "It is impossible to pay a visit to any of our cemeteries when funerals are going on, without experiencing not only a kind of shudder at the whole paraphernalia of the undertaking business, but also a feeling of pious grief at the thought of the silly trammels of custom, in which all classes of society are bound, in the matter of funeral pomp; and the wanton extravagance which sets up in admired disorder, full of endless repetitions, monumental effigies, and thousands of silly sentiments embodied in stone and marble, some of which are, even like the inverted torch, purely heathen."

This article is of exceptional interest in view of latter-day discussions in which the charge has been made that the vast extension of Industrial insurance has been responsible for the asserted increase in funeral pomp and funeral expenditure. It will be observed that before a single Industrial policy had been written funeral expenditures were sufficiently extravagant to call for public condemnation, and that it is therefore shown that public opposition to funeral extravagance antedates the establishment of Industrial insurance in the United States.

* Mass. Labor Report, 1875, p. 211.

By October, 1875, three-quarters of the year had passed, and, as far as the public knew, no definite steps had been taken to establish an Industrial insurance company in the United States. There is, however, record of an attempt made in Washington, D. C., during the early part of the year, when an effort seems to have been made to establish an Industrial insurance company, but like the Industrial and Commercial, of Hamilton, Ontario, nothing substantial seems to have been the result, and there is no proof that the proposed company ever actually transacted business.

The *Insurance Times*, with a persistency fully worthy of the cause, continued its pleadings in favor of such an undertaking, and in the October number for 1875 appeared another excellent article, under the title "Life Insurance for Those Who Need It Most," from which I quote a few passages: "Who need life insurance most? The poor, or the rich? The families who are entirely dependent upon the daily or weekly earnings of their head, or those who have other sources of maintenance? Life insurance is good for the rich and the 'well-to-do,' but it should be looked upon as indispensable to the poor. The complaint is general, however, that life insurance fails to reach those who most need it, and upon whom it is calculated to confer the greatest benefit. The family of the poor man, that ought to be protected by life insurance, is seldom or never shielded by a life policy."

Referring to the efforts that had been made to transact an insurance business by means of "Bunds" or similar organizations, the *Insurance Times* stated that "Some abortive efforts have been made in this direction, but, as we predicted from the first, they failed and came to nothing, because they were not made by persons of the right quality and calibre. We regret, for this reason, to see men unequal to the task undertake it; and to see others, whose talents, standing and influence fit them for the work, waste their powers in attempting the achievement of impossibilities. * * * * If such gifted and eminent actuaries as Elizur Wright, Sheppard Homans, and some few other leading life insurance minds, would employ their great knowledge, trained ability and wide influence, to promote the extension of life insurance to the hard-working and industrial classes, instead of devoting their talents and labor to the development and introduction of pet theories, however ingenious and attractive, they would render

humanity a great and lasting service, in the blessings of which millions would be partakers for ages to come.

"The regular, rapid and solid growth of a system of industrial insurance, or life insurance for the poor, would have an almost unlimited scope and usefulness, and the prospect it presents ought to kindle in great and benevolent minds a noble ambition to promote its spread and establishment. We have no desire to insist upon a servile adherence to the system of the Prudential of England, which has achieved so much success in this field of insurance, but its plans are certainly deserving of careful study, and its prosperous example is full of inspiring encouragement. It insures the life of even the day laborer, and collects of him a weekly premium of a penny. * * * * It is found that industrial insurance is in every way, directly and indirectly, a benefit to the poorer classes. It helps to train them to habits of saving and foresight, and illustrates, in the most practical manner, the advantages of making a provision for the future."

These few extracts from a most excellent article will suffice to indicate the increasing knowledge and comprehension of the principles of Industrial insurance, and it would seem that by October, 1875, the commencement of actual business operations could no longer be postponed. But the year 1875, about the middle of the financial depression, extending from 1873 to 1878, was not one in which it was an easy matter to organize a financial enterprise on a solvent and substantial basis; and while the outlook for a successful undertaking in the domain of life insurance was very promising, it was nevertheless a most serious matter to overcome local difficulties and to secure the necessary financial support, and I may recall the remarks in the *Insurance Times* (October, 1875), to the effect that for such an undertaking it required a man and a mind that "should stand so high as to command the entire confidence of the people, and be able to gather around him a corps of coadjutors and subordinates who would work with him with intelligence, zeal and industry, incapable of despair, flagging or failure." It is something very considerably to the credit of Mr. Dryden that at this trying time he was able to meet this requirement in the selection of a Board of Directors and a "corps of coadjutors and subordinates," many of whom are still connected as executive officers with The Prudential Insurance



Allen Howard

Company at the present time. It is impossible in a work of this kind to do justice to the great services which were rendered Mr. Dryden by his early associates at this critical period of Prudential history, but brief mention must be made of the invaluable assistance rendered the cause of Industrial insurance by Dr. Leslie D. Ward and Mr. Noah F. Blanchard. It was largely in consequence of Dr. Ward's untiring efforts that a strong Board of Directors was secured for the Society and that the necessary financial support was obtained from men whose commercial standing in the community was second to none. Dr. Ward was at the time a practicing physician with a large private practice, in which he had obtained an insight into the life of the people and had become familiar with their most urgent wants. In a similar manner Mr. Blanchard, as a large manufacturer and employer of labor, had learned by personal experience of the existing need of some institution likely to accomplish the purpose for which The Prudential had been designed. Mr. Blanchard became actively interested in the affairs of the Society and incorporated into its business operations the same principles which had been the cause of his earlier successes in other commercial enterprises, and in the logic of events he succeeded to the Presidency in 1879, which position he held until his death in 1881. Dr. Leslie D. Ward was elected Vice-President in 1884, which position he holds at the present time.

All discouragements and difficulties notwithstanding, The Prudential Friendly Society by November 6, 1875, was at last in a position to commence business, and it is but proper that I should here give in full the directorate of the Society, as I find it stated in the Newark *Daily Advertiser* of November 18th:—

NEWARK DAILY ADVERTISER.

THURSDAY EVENING, NOVEMBER 18, 1875.

The Prudential Friendly Society, 812 Broad Street, Newark.

(State Bank Building.)

DIRECTORS.

Horace Alling,
Benjamin Atha,
Allen L. Bassett,
Noah F. Blanchard,
Chas. G. Campbell,
Aaron Carter, Jr.,
William R. Drake,
John F. Dryden,

James M. Durand,
Isaac Gaston,
Albert O. Headley,
Andrew Hopper,
Henry J. Yates,
Alfred Lister,
George D. G. Moore,
Wm. H. Murphy,

George Richards,
William Robotham,
Chas. W. A. Roemer,
Edgar B. Ward,
Leslie D. Ward,
Marcus L. Ward, Jr.,
William Whitty,
Elias A. Wilkinson.

ALLEN L. BASSETT, *President.*

JOHN F. DRYDEN, *Secretary.*

It will be observed that Mr. Dryden had been made the Secretary of the Society, while Mr. Bassett had been elected President. Although Mr. Bassett had been somewhat interested in insurance problems and had been connected with the earlier effort of the Widows' and Orphans' Friendly Society, he had not in any manner contributed directly to the organization of the new Society; all of the original work, especially the correspondence with Mr. Clark, had been carried on by Mr. Dryden, who, as a matter of course, had to associate with himself men of capital and ability to carry on so difficult an enterprise as a new insurance organization on a substantial basis in the middle of the financial depression of 1873-'78. During the few years of his administration Mr. Bassett failed to give satisfaction to the Directors, and in May, 1879, resigned. He was succeeded by Mr. Noah F. Blanchard, a man of exceptional administrative ability, at whose death, in May, 1881, Mr. John F. Dryden was unanimously elected President, which position he still occupies.

For the purpose of acquainting the public with the special features of the new plan of insurance, a prospectus of the Society had been issued, which contained many features which were novel and attractive, while, at the same time, the plan was set forth in a plain and straightforward manner, so much so that the enterprise at once attracted considerable public attention, giving rise to many editorial discussions in the public prints. The following are the most important features referred to at length in the prospectus:—

The Prudential Friendly Society offered insurance against sickness and death, as well as a provision for support in old age for persons of either sex from infancy to old age.

The Society required no medical examination and promised to pay all claims immediately after the filing of proper proofs of death or sickness.

Contributions were principally to be made on the weekly-payment plan, but many of the benefits of the Society could also be obtained upon the monthly, quarterly, or semi-annual payment plan, according to the tables of the Society.

As a check upon imposition and fraud it was set forth in the prospectus that "A member will not be entitled to recover from the Society on account of sickness or death happening before three months' membership, or in case of sickness, except from the day on which the Society is notified."

The amounts for which insurance could be made were limited to \$25 a week in case of sickness, and to \$500 in case of death.

The following is an abbreviation of the first adult rate table used by the Society :—

FIRST ADULT RATE TABLE USED BY THE PRUDENTIAL FRIENDLY SOCIETY.

AMOUNTS PAYABLE AT DEATH FOR A WEEKLY PREMIUM OF

AGE NEXT BIRTHDAY.	5 CENTS.	10 CENTS.	15 CENTS.	20 CENTS.	25 CENTS.
11 to 15	\$100 00				
16 to 20	125 00	\$250 00			
25	110 00	220 00	\$330 00	\$440 00	
30	94 00	188 00	283 00	378 00	\$472 00
35	80 00	160 00	240 00	320 00	400 00
40	66 00	132 00	200 00	267 00	334 00
45	54 00	108 00	164 00	219 00	274 00
50	.....	88 00	133 00	177 00	221 00
55	.....	70 00	105 00	140 00	175 00
60	.....	54 00	81 00	109 00	136 00
65	.....	.....	62 00	82 00	104 00
70	.....	.....	.....	62 00	78 00
75	.....	.....	.....	.....	57 00

No benefit will be payable until certificate has been in force three months. Contributions payable during life. Benefits payable only at death.

To the preceding table must be added the following extract from the prospectus explaining the methods of payment and objects to be realized :—

“The Society will use the utmost promptness consistent with safety in the payment of claims. In the event of sickness, benefits will be paid from week to week while sickness lasts. In event of old age, benefits will be paid on a fixed day of each month. In event of death, benefits will be paid immediately after proper proofs are filed with the Society, in order that the money may be available at once for funeral expenses.”

As has been stated, the Society from the start made the benefits of life insurance accessible to persons of all ages, a special infantile table having been constructed, of which the following is an abbreviated copy, and to which I have added such extracts as

are contained in the original prospectus. It will be observed that the lowest premium accepted was three cents, and the table therefore is based on this minimum premium :—

FOR THREE CENTS A WEEK, TWELVE CENTS A MONTH, THIRTY-FIVE CENTS A QUARTER, SIXTY-FIVE CENTS SEMI-ANNUALLY, OR ONE DOLLAR AND TWENTY-FIVE CENTS ANNUALLY, THE PRUDENTIAL WILL PAY AT THE DEATH OF A CHILD AS FOLLOWS :—

AGE OF CHILD WHEN ADMITTED TO MEMBERSHIP.*	AMOUNTS PAYABLE AFTER	
	THREE MONTHS.	ONE YEAR.
1	\$10 00	\$12 50
2	10 00	12 50
3	10 00	15 00
4	12 50	17 50
5	15 00	20 00
6	17 50	25 00
7	20 00	30 00
8	25 00	40 00
9	30 00	50 00

If the child should die within three months from date of admission to membership, no Benefit will be payable.

This table was so arranged that the insurance increased from year to year with increasing age, while the premium remained the same, this being necessary in view of the well-known fact that the rate of mortality is highest at birth, gradually declines until about ages twelve to thirteen, and after that constantly increases to the highest attainable age. Thus it will be observed that the principles of actuarial science were made applicable to the most complicated part of the business.

The aims and objects of the Society are fully set forth in that part of the prospectus which dealt with the "Plan of the Prudential," where it is stated that "It is the special aim of this

* It was at first the practice to consider the age last birthday as the age at entry, hence age *one* is included in this table. Under the present practice of considering the age next birthday age *two* is the first to find a place in the infantile table. It has never been the policy of the company to accept risks at ages below *one* for reasons which have been discussed in other parts of this work.

Society to enable people of small means to provide themselves with relief in sickness or accident ; second, for a pension in old age ; third, for an adult burial fund ; fourth, for an infant burial fund. The contributions charged for the above-named benefits have been computed by eminent actuaries of America and England, and are such as careful study and close calculation have shown to be equitable and necessary. They are as low as the Society can afford, for the benefits granted, and are high enough to make it safe."

Of the above-named four distinct branches, the first, as has been stated, was discontinued after a few years of actual experience, as had been the case with the English companies attempting to transact a sickness insurance scheme on a large scale. The second failed to meet with public favor on account of the inherent difficulty of obtaining so desirable an object as independence in old age by the payment of the small sums which the working people of the period could afford to devote to the accumulation of a fund sufficient to yield a substantial annuity in old age. The third and fourth branches became in time the all-important parts of the business, experience having demonstrated that the demand for a sum payable at death was greater than the demand for other insurance features, however desirable in themselves.

The Prudential Friendly Society was thus plainly what it was designed to be, an Industrial insurance company on the plan of the British Prudential, with such modifications and slight changes as seemed desirable at the time to make the plan attractive to the American working people. In the prospectus it had been clearly stated that "The Prudential is designed for persons of limited means," and that "*Its benefits may be secured by cutting off some luxury which can be dispensed with without injury to health or happiness.*" It was never the plea of Industrial insurance companies that they were soliciting the risks of paupers or the lowest poor, but from the start they made an effort to reach the industrial masses—if it be so, the industrious poor ; but in their efforts to obtain business, in their efforts to insure as large a proportion of the population as possible, they never failed to keep in mind the early principle of the Prudential, that "The benefits of Industrial insurance may be secured by cutting off some luxury which can be dispensed with without

injury to health or happiness," and, I may add, without detriment to habits of thrift in other directions than insurance. For even at this time, before a single application had been accepted, it had been recognized by Mr. Dryden, and was so stated in the first prospectus, that "A membership in the Prudential will induce prudence and economy, and become the foundation of good habits," as "It may be the means of saving an individual or family from a fate worse than death." In these after-years, when so much has been said and written on the question of the possible evil effect of this system of insurance on the morals and manners and material welfare of the people, it is well to recall these simple straightforward statements, which were thus incorporated into the foundations of Industrial insurance in America, and which are to-day its strongest claim to public favor, as they have for twenty-five years been the strongest inducement to the industrial masses to keep the millions of policies in force on the books of the Industrial companies.

Having pointed out the grounds on which the Prudential Friendly Society from the very beginning rested its case, it may not be out of place to refer at some length to the public approval of the introduction of Industrial insurance in the city of Newark in 1875. Among others the Newark *Daily Advertiser*, one of the oldest newspapers in the northern part of the State, referred to the new plan of the Prudential as follows:—

A new feature in insurance has just been introduced in this city, known as the Prudential Friendly Society, directed and officered by gentlemen of the highest character. Its business location is in the State Bank building, and as it is the first move in this direction made in this country, its working should be explained.

The plan is that a certain weekly or monthly stipend paid to the Company shall secure a certain return in case of sickness, a provision for funeral expenses in case of death and in other cases a pension after a certain age. This latter phase is not new, except as it is attainable by persons of small means who are "Prudential" enough to make and invest small savings at frequent intervals. The Prudential Friendly Society of Newark provides the applicant for membership with a blank on which are printed certain questions, which are answered and signed by the applicant and then referred to the Board of Directors. No medical examination is required, and the application is approved or rejected as the Board may decide. If accepted, something like a pass-book is issued to the new member, in which is printed the agreement between him and the Society, and in which the account between the two is written up at every payment.

In so far it does not differ much from many other forms of benefit or burial societies employed by the working classes of England.

But the Prudential Friendly Societies go further and more wisely. They place no restriction on account of age, sex or occupation. All share alike from one year of age to the oldest limit of our race, except as to the rate charges, which vary with the age. By tables prepared from a very wide experience in England, and investigations scientifically conducted, the societies have ascertained the actual experience of two millions of lives in England, Wales and Scotland, as regards sickness, old age and death. These investigations show the experience on males and females separately, the effect of life in cities, towns and rural neighborhoods and of different trades and occupations, from the worker in the mine to the mechanic in the shop, the seamstress at her work, the clerk in the store and all the various avocations and professions. They also show the average amount of sickness of each particular year of life from infancy to old age. It is a fact brought out by these researches that the risk increases with the age of the member, that youth resists the assaults of disease and more easily throws it off, while older age succumbs more readily to either sickness or death. The practice of many benevolent societies has been directly the opposite of this, and so either the young person pays too much or the old too little. In fact it is the theory of some of them that the young should shelter the old. It may be very generous, but it is not business.

These data reached, and they have been carefully reached by a long experience, the general average of the chance of having to pay for a sickness, an accident, a burial or a pension can be fixed, although the individual cases will occasionally confound the statistics and the member takes out vastly more than he puts in. For the sick relief no greater amount is granted than \$25 per week, and for the burial fund \$500 is the limit. When a loss accrues it is instantly payable. The terms of the agreement are so simple that questions of fraud are not likely to arise, and the presentation of the evidence is all that is needed to secure the payment. *The whole subject is worthy of study.* We have given only a meagre outline of its general features and are not altogether informed as to all its merits or demerits. But we know that it has succeeded in England, and our rank as a manufacturing town, the close likeness of our industrial classes to those of the best class of English mechanics, induces us to suppose that the plan may work a great beneficence.

In a similar manner the Society received the endorsement of other leading newspapers of Newark, and, as an indication of the careful consideration given to the subject, I quote the following extract from the Newark *Evening Courier* of November 13, 1875:—

We have examined with considerable interest and satisfaction the prospectus of a new institution in our city called The Prudential Friendly Society, and which is located in the State Bank building, 812 Broad street. This Society has for its object to provide aid to its members whether male

or female in event of sickness, old age and death. * * * * *The contract between the Society and the member is very plain, and there seems very little chance for misunderstanding.* It is "so much benefit for so much money." *One of the foundation-stones of the system which the Prudential has introduced here is equity.* Members are charged a contribution according to age, and the rates are so adjusted that each age contributes to the funds of the Society just in proportion as that age contributes to the risk. Experience has shown that at age twenty a person may be expected to be sick a little over eight-tenths of one week, while at sixty a person will upon the average be sick a little over four weeks in a year. Now it would be manifestly unjust to charge two persons of the two different ages named, the same amount of contribution for an equal benefit, when one contributes five times as much to the risk of the Society as the other. The Prudential has kept this fact in view in making up rates, and has adopted the plan of charging contributions according to the age at the time a member enters the Society. *In fact the whole plan of the Society rests upon a scientific basis, a basis which has been ascertained and approved by the highest actuarial ability in this country and England.*

In a city like Newark, whose population is largely made up of working men and women, the Prudential ought to find a large and successful field of operation. *It seems to us that this organization is calculated to accomplish a work of great beneficence wherever are to be found poor families in which the expense of sickness or death, or the infirmities of old age would cause discomfort or distress.* It certainly will be a great boon if people of limited income can, by payments so small as not to cause inconvenience, provide a fund sufficient to *pay the expense of a decent funeral, or which shall relieve the suffering and sorrow of the sick chamber.*

And as a further indication of the approval on the part of the press, I quote an extract from the Newark *Register* of November 13, 1875, in which the subject of Industrial insurance is also discussed at length from the standpoint of public policy :—

It is often said that there is nothing new under the sun ; but the plan of insurance put forth by the Prudential Friendly Society, an institution just organized in this city under the auspices of some of our very best and most responsible citizens, is certainly a novelty in this country.

A feature of the Prudential system is the certificate issued guaranteeing payment of a burial fund only, and may be obtained at all ages—from the child one year old to the old man or woman who has reached the ripe old age of seventy-five.

Every pains seems to have been taken by the projectors of this institution to adapt it to the requirements of people in moderate circumstances. Hence, in event of sickness or accident, the society pays losses promptly from week to week while sickness lasts, that the money may be had and used when it will be of the greatest value ; and in old age the pension will

be paid upon a fixed day of each month with as much regularity and certainty as a pension by the Government.

When death occurs the burial fund will be paid immediately after the proper evidence of the loss is filed in the office of the society, and thus it becomes available for funeral expenses, at a time which to most people of slender income is one of the greatest extremity.

The terms of payment required are also of the most advantageous kind. *It would be worse than vain to offer poor people protection against the adversities of life and death, if the terms were such as to put it practically beyond their reach.* But what prudent, right-minded working man or woman can not and will not lay by a few cents each week or month to provide for his or her own future comfort, or the comfort of those whom it is a right and duty to protect? *It is with great wisdom, it seems to us, that the Prudential has with so much care studied the necessities of the industrial classes. It makes the society in reality what it is designed to be, an institution for all.*

One of the most gratifying facts connected with this society is its strength and security. It is not too much to say that no institution in Newark—a city justly proud of its strong moneyed corporations—has a Board of Directors that can more strongly claim the confidence of our people. The gentlemen are unexceptionable as to ability, wealth and character. In this there is a guarantee that the affairs of the Prudential will be honestly and ably managed.

The system upon which the society transacts its business has received a long, patient and thorough investigation. It is about three years since an examination into the experience of similar societies in England was first begun with a view to establishing a society here, and although this has been quietly carried on, the investigation has been the most searching and thorough. The statistics upon which the rates are based are derived from the experience of a large number of societies and extend over many years, and are made by some of the oldest actuaries in London. As a matter of still greater precaution these have been again examined and tested by the Actuary of the society, Professor John E. Clark, of the Sheffield Scientific School of Yale College. These rates are founded upon the well-established fact that the risk increases with the increase in age, and that it therefore costs less to insure a young person than it does an old one. Each particular age is charged according to the risk he or she brings into the society on joining it.

The society may be said to be founded upon a rock. In a city like Newark, embracing so many working men and women, the Prudential ought to do a large business. In fact, we can not see how this class of people can afford to do without its protection.

In these newspaper articles there is so clear a recognition of the value, importance and necessity of such an institution as the Prudential, that I can not but think that, but for a recognized and actually existing necessity, it would have been impossible for

the Society to have been ushered into existence by critics as friendly as they were honest, conservative and wise.

While the new undertaking received so warm a welcome in the city of its birth, but little knowledge of the organization of the Society seems to have extended beyond the local boundary, and only fragmentary references occur in the insurance journals during the latter part of 1875. The *Insurance Monitor* in its November number referred to the Prudential, making at the same time reference to a similar attempt to organize an Industrial insurance company in Washington, D. C. As has previously been stated, The Industrial Life Insurance Company of Washington never entered the stage of actual operations, and I confine my quotation to the reference made to the Prudential Friendly Society :—

The Newark enterprise is known as the Prudential Friendly Society, *modeled after the English associations of the same name, with an effort, so far as we have learned, to profit from the experience of the best among them—the Manchester Unity and the Foresters.* Here again a word of caution may not be amiss. Until the subject was brought to the attention of Parliament some few years since, a large proportion of these organizations were, through ignorance or recklessness, sadly mismanaged, and numbers of them were in a bankrupt condition, while others were rapidly drifting into the same state. This condition of things was brought about by the same error which characterizes the co-operative schemes in this country—a total disregard of the influence of age on the cost of insurance. And we would remind those in charge of this young enterprise that whatever the form of organization or nature of the benefit, *age*, as an element of the risk, can not be disregarded without almost certain failure in the end. The early experience of a friendly society is peculiarly deceptive. Only the probing of a skilled actuary can discern the insidious elements of future evils existing under the deceptive strength of a friendly society for years before the final crash.

The manufacturing importance of Newark, approaching so nearly the condition of English cities, gives a strong encouragement to those interested in the success of this new enterprise.

I have been compelled, for want of space, to limit myself to meagre abstracts from the public press of the period, for the purpose of illustrating the distinct local demand for such an institution as the Prudential, and the universal and intelligent local recognition of the value of Industrial insurance from the standpoint of public policy. Had space permitted, I could have added

materially to this proof in support of the assertion that Industrial insurance in this country has been founded in consequence of a social demand, representing a social growth which has its foundation in the necessities of the people, and that in consequence the subsequent enormous development and extent of the business is to be traced in the needs of the people, which had been ill-supplied by a multitude of insurance schemes, all of which have since gone into bankruptcy or decay.

So much space having been given to the factors leading up to the formation of the Society, I must needs deal very briefly with the actual experience and business history. I have already stated that the first actual business transaction occurred on November 10th, when a Mr. W. R. Drake, Cashier of the German Bank of Newark, applied for an insurance of \$500, payable at death, and \$10 per week, payable in case of sickness, the weekly-premium payments to cease at the age of sixty-five. Mr. Drake, it will be observed on reference to the list of directors, was also one of the members of that Board, and no doubt was influenced in taking the risk by this personal relation to the Society. The application was signed by Mr. Dryden himself, as a witness to the transaction which marks the actual beginning of Industrial insurance in America. It was only by slow degrees that the business became known to the public, nevertheless by December 1, 1875, 62 applications had been received. During the month 242 more applications were received, and during January, 1876, the number of new applications reached 558. During a little less than three months 862 persons had made application for Industrial insurance on the various plans offered to the public by the Society at this early period of its existence. During the last week of January, 1876, 206 applications were received, which must be looked upon as a very strong indication of the local demand for this class of insurance. As to the character of the business received, it is possible to answer some questions on this point by the statistics of the first one thousand applications, which have been abstracted from the records of the Society. Of the first 1,000 applications 25 have been lost or partly destroyed, 29 are duplicates, indicating double insurances, 329 are infantile risks or applications for insurance on persons under ten years of age, while 617 are adult applications, of which 328 were on males and 289 on females. The occupations of the 328 males are given in the

following table, with as much detail as the space at my command permits:—

OCCUPATIONS OF MALES INSURED IN
THE PRUDENTIAL FRIENDLY SOCIETY. 1875-'76.

Accountant,	2	Hostler,	4
Agent,	3	Insurance,	2
Bag-Factory Employee,	2	Janitor,	2
Baker,	6	Japanner,	4
Bank Employee,	4	Jeweler,	5
Barber,	9	Justice of the Peace,	1
Bartender,	1	Laborer,	5
Blacksmith,	6	Lawyer,	3
Bookkeeper,	5	Liquor Dealer,	1
Brass Moulder,	3	Machinist,	11
Butcher,	6	Manufacturer,	5
Car Driver,	3	Merchant,	3
Carpenter,	11	Moulder,	3
Clerk,	29	Musician,	3
Coachman,	6	Painter,	3
Conductor, Horse-car,	3	Physician,	1
Driver, Teamster,	8	Plumber,	2
Druggist,	2	Salesman,	5
Editor,	2	Shoemaker,	5
Engineer,	3	Student,	30
Florist,	3	Surrogate,	1
Gardener,	2	Undertaker,	3
Grocer,	4	Waiter,	4
Gunsmith,	1	Miscellaneous Occupations,	94
Hatter,	4		

This table would seem to prove that the applicants for this class of insurance represented all the elements of the population, including men employed in well-paid occupations, as well as those who earned their living by day labor. The truly industrial character of this class of risks is clearly indicated by the data represented in the preceding tabulation.

The age distribution of the 329 infantile applications is given in the following table, as an indication of the demand for this form of insurance at early ages :—

PRUDENTIAL FRIENDLY SOCIETY. 1875-'76.

INFANTILE APPLICATIONS.

AGES AT ENTRY.			
AGE LAST BIRTHDAY.	MALE.	FEMALE.	TOTAL.
1	3	5	8
2	24	21	45
3	29	23	52
4	15	22	37
5	21	18	39
6	17	14	31
7	18	19	37
8	14	18	32
9	13	10	23
10	12	13	25
	166	163	329

This table would seem to prove that there was no selection against the Company in an excessive aggregation of risks at very young ages, but that the distribution of applicants by age periods was normal and fully in accordance with the general distribution of the population at the ages indicated. The reason for the non-acceptance of risks under one year is to be found in the fact that on account of the excessive mortality prevailing at ages under one the amounts which could be insured for under such policies would not be sufficient to attract custom enough to warrant the acceptance of this class of risks.

In England it has always been the custom to insure children from birth, or from within a few weeks of the date of their birth, for small sums in return for a weekly premium of one penny. It is self-evident that the large increase in the business operations of Industrial companies must gradually diminish the number of uninsured persons, making it desirable to accept risks from birth upwards, but this point is not likely to be reached in this country for a number of years to come.

The following table will show the age distribution of the 617 adult applicants, with distinction of sex :—

PRUDENTIAL, FRIENDLY SOCIETY. 1875-'76.

ADULT APPLICATIONS.

AGE AT ENTRY.	MALE.	FEMALE.	TOTAL.
10-14	38	32	70
15-19	43	39	82
20-24	52	47	99
25-29	50	46	96
30-34	47	26	73
35-39	19	22	41
40-44	25	21	46
45-49	24	19	43
50-54	14	14	28
55-59	8	10	18
60-64	2	8	10
65-69	3	4	7
70-74	1	1	2
Unstated,	2	.	2
Totals,	328	289	617

On examination of this table it will be found that the age distribution was normal, showing no indication of adverse selection of applicants at advanced ages, but rather an aggregation at the productive period of life, when men and women are actively engaged in industrial occupations. The tables given confirm the preceding conclusion, that the demand for Industrial insurance came directly from the industrial population, and that this class of risks was fully represented in the body of the policy-holders of the Society from the beginning.

Among other facts brought out by an examination of the early records of the Society, it appears that the method of payment selected by the majority of the applicants was for insurance on the weekly- or bi-weekly-payment plan. Out of the 1,000 applicants the information as to method of payment is available in 946 cases, and of this number 484 selected the weekly-payment plan, 130 the bi-weekly-payment plan, 180 the monthly-payment plan, 29 elected to pay quarterly, 75 semi-annually, and 16 preferred to pay their premiums once a year. For 34 cases the

information as to method of payment was not stated. Hence, it is clear that in the majority of cases the weekly-premium plan was given preference, for, even in cases where the premium payments were made bi-weekly or monthly, it is to be assumed that this was the choice of the office, to avoid loss of time in making collections. The industrial character of the risks accepted is, therefore, further supported by the distinct preference given to premium payments on the weekly plan.

Some further information of interest is supplied by the data pertaining to the amount of insurance applied for. While all of the infantile risks accepted were for burial purposes only, of the 617 adult applicants for which the information is available, 356 applied for insurance payable at death, 136 for burial insurance and additional benefits in case of sickness, 96 for sickness benefits only, 24 for sickness, annuity and death benefits, while for 5 the information is not available. It is, therefore, shown that distinct preference was given to insurance payable at death, and, while some preference was given to sickness insurance in combination with burial insurance, only a very small demand seems to have existed for sickness insurance alone, and the industrial character of the class of risks accepted by the Society is, therefore, further supported by the data showing the preference given by applicants to insurance for burial purposes only.

An examination of the data pertaining to the amounts of insurance applied for indicates a tendency to insure for sums of from \$100 to \$150. Out of 521 applicants, 90 insured for sums under \$100, 324 insured for sums between \$100 and \$200, 66 insured for sums from \$200 to \$300, 21 for sums from \$300 to \$400, while only 15 insured for sums of \$500, which at that time was the maximum amount which could be insured for in the Society. For five applicants the information was not stated. The foregoing data and statistics are clearly in favor of the conclusion that the applicants for Industrial insurance represented the industrial population, or men and women employed in gainful occupations; in other words, the superior class of working people of the city of Newark at that period.

CHAPTER VI.

THE PRUDENTIAL FRIENDLY SOCIETY, 1876-1877.

By the first of February, 1876, it could, therefore, with some truth be said that the experimental stage of the business had been passed, and that no further proof was needed to demonstrate the public demand for Industrial insurance in one of the most important manufacturing cities in the United States. It could even be said with some truth of Newark as an able writer had said of Industrial insurance in England, that "A vast yet silent and unseen revolution is in operation among the working classes. Life insurance until lately has been exclusively confined to the upper and middle classes of Englishmen. By means, however, of what is called the Industrial system of life insurance, adopted by certain offices, life insurance for small amounts is becoming so popular among workingmen that signs are not wanting that the life-insurance movement will permeate upwards and receive an impetus among the higher classes from its adoption by those at the other end of the scale. *This great and beneficial work* is mainly carried on by agents in London and the manufacturing districts, who go about among the workingmen and persuade them to effect insurance, and then call upon them every week for the premiums."*

While a large portion of the business obtained by the first of February had, of course, been secured as the result of direct personal solicitation by the agents of the Society, proof is not wanting that the working people, on their own account, had applied at the office of the Society for information as to the new plan of insurance, to which reference had been made in the daily newspapers of the period. In fact, during December, 1875, it had already become necessary to keep the office of the Society open evenings,

* The Life Assurance Handbook, by George Clifford, p. 53 *et seq.* London, 1876.

to furnish information and accept proposals from voluntary applicants. The Newark *Register* for this month contained a notice to the effect that "The Prudential Friendly Society in the State Bank Building has found it necessary to keep its office open evenings until half-past seven o'clock, to transact business with and answer the inquiries of those who are unable to get to the office in the day-time." Thus, at the very beginning the popular approval and interest in the new plan of family insurance became manifest to an extent hardly anticipated by those in charge of the new enterprise.

The friendly interest of the Newark newspaper press continued, and from a long article on the subject of Industrial insurance in the *Sunday Call* (Dec. 12, 1875), at that time, as it is to-day, the most important and respected Sunday family newspaper issued in the State of New Jersey, I abstract a few remarks of more than passing importance :—

In its population of one hundred and thirty thousand souls, Newark has at least fifty thousand who belong to the industrial class. The skill and industry and prudence of these people have raised our city to its present eminence, and given to it its name and fame. Whatever affects their interests is vital to its well-being. The *Call* has been in the past, and will continue to be in the future, the champion of this important portion of our people, and it will ever be found to speak out plainly for or against any enterprise seeking their patronage, according as it shall merit censure or approval.

Following out this line of policy, we have closely scrutinized the Prudential Friendly Society, an institution recently organized in this city for the benefit of working men and women, or, more correctly speaking, for the benefit of working people of both sexes and all ages—for the Society accepts members from one year old up to seventy-five. And at the outset we wish to say that the Prudential is thoroughly well organized, and is founded on a firm basis, managed by a Board of Directors composed of some of our most substantial and honorable citizens, and controlled by gentlemen of great intelligence, energy and ability.

After a lengthy explanation of the objects and methods of the Society, the *Call* continued :—

In the payment required the Society has also carefully consulted the requirements of people of limited means. Any benefit granted by the Prudential may be paid for in weekly, monthly, quarterly, half-yearly or yearly contributions. There is not a mechanic or factory girl in Newark who can not spare a few cents a week to secure a benefit when sick and a decent burial at death. *There is not a prudent, industrious father who*

can not, without inconvenience, pay a few cents to insure a respectable burial for his children.

At the time we were at the office of the Society, which, by the way, is the State Bank building, 812 Broad Street, the Society was not prepared to issue certificates of membership, yet many applications had come in unsolicited, and were filed to be acted upon as soon as the Society was ready for business. Among others that were shown us we noticed applications from one whole family of eight persons—from the father, forty-six years old, down to the youngest child, three years old. All these benefits cost the father but a small amount each week, a sum that he could easily pay and not miss from his earnings, while he has the satisfaction of knowing that in the event of misfortune he and those he loves are provided for.

The whole scheme of the Prudential seems so completely to meet a need in Newark that we are confident the benefits of the Society will be eagerly sought. It is an institution established for people of small income. It is modeled upon societies in Europe which have existed for many years, and have met with great success. We believe the working people of this country are unsurpassed by any people of the world for prudence, thrift and industry, and we also believe that the Prudential, which is the pioneer Friendly Society of America, will be received with the favor which its merits deserve.

This unqualified endorsement of the plan of the Prudential was of special value to the Society, since the *Sunday Call* was then, as it is at the present time, strictly a family newspaper, and one of far-reaching influence among the industrial population of the city and vicinity; and it was of no small importance to have the *Call* endorse the new plan of family insurance in words which were indicative not only of a clear comprehension of the system of Industrial insurance, but also, at the same time, of the needs and wants of the industrial population of the city.

While in its early stage some business, or even a considerable proportion of business, might have been obtained by voluntary applications, it was early evident that it was necessary to employ agents, or solicitors, for the purpose of making the merits of the plan more generally known, as well as for the purpose of collecting the weekly premiums, which were gradually assuming considerable proportions. Accordingly, the Society advertised for canvassers, and I abstract the following from one of the Newark newspapers, dated December 18, 1875 :—

WANTED!

Canvassers for the Prudential Friendly Society. This first effort in this country to establish a Friendly Society worthy of the patronage of all

classes, is meeting with a generous response. People in these hard times are more than usually thoughtful in making provision for sickness, accident, old age, and a burial fund, beyond the reach of the exigencies of business. Intelligent ladies and gentlemen can secure good districts by applying to the principal office.

812 BROAD STREET, STATE BANK BUILDING.

The significant fact in this advertisement is that female, as well as male, agents were to be employed as solicitors and collectors, and, while this may not have been the first instance of the employment of women in the life-insurance business, it certainly was one of the earliest experiments in this direction; and while the practice, in later years, was discontinued, there are still at the present time, women agents employed in the Industrial Department of the Prudential Insurance Company.

Every step which had been taken by Mr. Dryden and his associates in the early management of the Society had been most carefully considered to insure, if possible, complete success from the beginning, not only in matters of general importance, but also in minor details, likely to demand consideration at some future day, when the Society should have reached considerable proportions. How thoroughly in earnest Mr. Dryden must have been, and how anxious to do justice to both the Society and its members, is in no case better illustrated than in his early correspondence with Mr. Clark, who had now been officially appointed consulting actuary of the Society.

In perfecting the Industrial insurance contract, Mr. Dryden considered fully and seriously the question of surrender privilege of some kind or another in cases where policies had lapsed for non-payment of premiums within the limit of grace granted by the Society in cases of default. Mr. Dryden seems to have stated his views in detail to Mr. Clark, who, under date of November 22, 1875, replied as follows:—

Your favor of the 19th instant, asking my opinion as to the advisability of making some provision in your Annuity contracts by which members may receive some portion of their contributions in case they discontinued their payments after having made them some time, is before me, and I answer it as soon as practicable, after having given it due consideration. I should advise you by all means to deal equitably with such cases as they arise, but *I hardly think it advisable to make any stipulation upon the subject in your contract.* If you were to do so, in the case of the Annuity contract, to be

consistent you would also have to do so in the case of the sickness and burial-fund contract, and to make upon any rational basis perfectly definite stipulations that your members could readily understand in all these cases would involve you, before entering upon business, in no little additional calculation. * * * * It is, in my judgment, better to derive the data for such calculation [of surrender value] from your own experience, than either from the best assumptions or the experience of other societies, which may have been quite different from what yours will be. I am aware, of course, that there is a growing opinion in favor of such stipulation [of surrender value] which is not without its foundation, and in procuring business it might be some advantage to have them, but, upon the whole, *I should avoid them for the present.* For the discussion will no doubt throw more light upon the subject and bring about more unanimity of opinion, as to how such stipulation ought to be fixed, as well as more unanimity of practice in the allowance they contemplate where they are not inserted in the contract, and *you can take a step forward in this direction at any time, but it will not be easy to take a step back.*

This letter is of more than passing importance, in view of latter-day developments and improvements in the Industrial insurance contract. It furnishes historic proof of an earnest effort on the part of the founder of the Prudential to grant, from the start, a cash or other surrender value to policy-holders compelled to lapse their contracts. It is a clear demonstration of the spirit of fairness and equity which has characterized all the business transactions of the Prudential with its millions of policy-holders, and to which is largely due the immense popularity of the system from Maine to Colorado. It is made clear by this letter, containing as it does the best available actuarial testimony of the time, that if cash-surrender privileges or paid-up policies were not granted during the early years of the Company's growth, it was because actuarial experience was against such a practice; and while in later years the Industrial companies, and especially the Prudential, made many valuable and far-reaching concessions on this point, it was because they acted once more upon the best actuarial advice, and waited until, in the light of their own experience, the way was clear for granting privileges which, once conceded, could not, without permanent injury, be easily withdrawn.

Thus it is shown that due consideration was devoted to the question of surrender values at the very beginning of the business in this country, and it is equally clear from subsequent results

that, of however much theoretical value such concessions might be, practically it was a point of small importance at the time, since cases of hardship resulting from the lapsing of policies could not arise until such policies had been in force a considerable period of time, while to those who really wished to remain members of the Society it was easy to revive lapsed policies by the payment of such arrears as might have accumulated. This, it is plain, was the view of the public, which in ever-increasing numbers became patrons first of the Prudential, and, after 1879, of other Industrial insurance companies which followed it, although no cash surrender or paid-up provisions formed part of the Industrial contract until after the business had been some sixteen years in successful existence, and some 5,000,000 Industrial policy-holders had been secured.

Hardly had the Prudential Friendly Society commenced to issue its certificates and secured the local reputation and respect of which I have spoken at some length, when, as it was perfectly natural to expect, efforts were made by unscrupulous individuals to float similar enterprises, apparently identical in scope and method with the Prudential, but, as a matter of fact, similar in objects and aims with a former type of fraudulent co-operative societies. Had these efforts been honest and straightforward nothing could be said against them, but, being without exception base and plainly fraudulent imitations of the Prudential plan of Industrial insurance, they, for a time at least, caused no small degree of anxiety and concern to Mr. Dryden and his associates.

One of the first of these imitations of which I have record, and probably the very first, was the Prudential League of Harrisburg, Pa., an organization chartered under the laws of Pennsylvania, with the Governor of the State as president. The policies issued by this society were, it would seem, guaranteed by a regular life-insurance company, somewhat along the lines of the former "Bunds" or "Unions," to which reference has been made. There was, in this effort, a clear intent to trade on the name of the Prudential, but, as was natural, the society, after a brief struggle, by reason of its inherent weakness, was forced out of existence.

It is quite probable that the men who managed the concern were the same who, during the latter part of the year, founded

the Prudential Mutual Aid, also of Harrisburg, Pa., which had a career extending over several years, but which also finally ended in receivership, causing a not inconsiderable loss to the unfortunate membership. The society was based on the principles of co-operative insurance, and was nothing more than an attempt to defraud the public by trading on the name and principle of the Prudential, which by this time had been recognized as a success in the new domain of life insurance for the industrial population. Such attempts at imitation were menacing to the Prudential Society only in that the public was likely to confuse the fraudulent practices of the former with the honest and straightforward efforts of the latter.

Continued public interest in the development of the Prudential is evident from the numerous inquiries made as to the nature of the new system of life insurance, which, I may add, met only with encouragement on the part of those who had the management of the Society in their charge; and perhaps no better illustration of this growth of a spirit of inquiry can be furnished than the following open letter, addressed to the Newark *Daily Advertiser* of January 17, 1876, which throws a most interesting side-light on the progress of the life-insurance idea among the wage-earners of the city of Newark :—

EDITOR Advertiser: The industrial classes of Newark are a much more important factor in the prosperity of the city than is usually considered, and perhaps more so than any other, with the possible exception of capital. This class is usually thoughtful and often provident, and therefore to the number of thousands have become associated in various societies for mutual aid and protection in the hour of need. No man will attempt to deny the value of association for this purpose. But the philosopher, political economist or whatever name is his will see the importance of association upon a proper basis.

What is the basis upon which these various mutual societies are conducted? Is there any mathematical or scientific basis to any of them? So far as we know, there is nothing beyond that which experience gives. This is worth something, but is it a sufficient guarantee for the future? Would the Life Insurance Companies be considered safe if their work was carried on by the light of experience only? No, but the law steps in and requires them to lay aside for every risk a reserve large enough to meet that risk at maturity, at old age and death, and no such company is safe, even if it has a large amount of cash in hand, unless it has a reserve sufficient to meet this liability upon a thoroughly mathematical basis.

Here, then, is a great question which concerns 10,000 and perhaps 50,000 of our industrious and clear-headed mechanics.

Who will take up this subject and not leave it until we know where they stand?

Perhaps the Board of Trade is in the position to do it. *Certainly, the subject is of the greatest importance to Newark, and it is therefore worthy of their attention.*

Let them invite discussion by able minds, and if the basis is insecure let them memorialize the Legislature that such general laws may be enacted as will oblige all such societies to provide the proper reserve or show what is their fund and what their risk, so that people may know what they are doing before they pay their money.

The Board of Trade can do no nobler work than throw their arms around these people and protect them with their influence, their intelligence and procurement of proper laws.

(Signed) PROTECTION.

It was not until April 29, 1876, that the *Advertiser* made further reference to the proposed investigation of the system of Industrial insurance by the Board of Trade, and I can do no better than quote the article in full, as a further contribution to our knowledge of the development, at this period, of the Industrial insurance idea in the city of Newark among all classes of the population :—

It is suggested to the Board of Trade that it invite information upon the system of industrial insurance that has recently been introduced by the Prudential Friendly Society. This is a matter that would legitimately come before such a body, and one which, as large employers, the members are directly interested in. This system aims to improve the condition of the class of people upon whom these gentlemen depend for skill and industry in the various departments of business activity. *It makes them provident and self-reliant. It encourages thrift and good morals, and assists in producing useful mechanics and law-abiding citizens.* Our large employers well understand that money can not be better expended even as a matter of economy—we say nothing from the humanitarian standpoint—than when used in elevating the condition of their help. But when the hands can themselves be induced to take a wise thought and provide for the future, it greatly lifts them up. This is the beneficence of this system of industrial insurance. Some of our largest employers deem this matter so important that they establish associations among their employees and require each person to contribute weekly to the fund. But the limited number of hands employed by most establishments makes this impracticable with them, and therefore the great mass of the industrial class must look for protection to some public institution that carries on the business.

Now, it is important to employer as well as employed that trust should be placed in a really solvent, reliable institution. Herein the gentlemen who compose the Board of Trade can greatly aid the people by becoming themselves well informed and imparting information to their employees.

Will the Board invite some competent gentleman to address them upon the subject of industrial insurance? *The success of the Prudential clearly indicates the importance of the matter.* This Society, recently organized, in the midst of hard times, with a system untried in this country, sought patronage almost entirely among people of limited means, and confined its operations to the city of Newark, yet it has already received over 4,000 members. Doubtless the character of its officers and directors has done much to inspire confidence and popularize the institution. *But back of this lies the fact that the industrial classes appreciated and eagerly embraced its provisions. They needed the Society. We may accept this as evidence that this is only the germ of a system which is to grow up and exercise a great influence upon the social condition of the workingman of America.* It has already done so in England, where 8,000,000 people now are interested in this class of provident associations. It is probable that there will, in a few years, be as great a number interested in similar institutions in America. It is important in the infancy of the business, and before mistakes are made that can not be corrected, that there shall be had a full knowledge of those laws that regulate the risks attached to sickness and burial insurance. The Odd Fellows, Knights of Pythias, and all kindred associations are deeply interested in the matter. A proper knowledge as to whether their rates of contributions are sufficient to enable them to pay in the future the benefits they promise, is of vital importance to them, and a movement such as we have suggested on the part of the Board of Trade would start an inquiry that would result beneficially.

One of the most suggestive remarks in this quotation is the sentence that "We may accept this as evidence that this is only the germ of a system which is to grow up and exercise a great influence upon the social condition of the workingman of America." These were truly prophetic utterances at a time when hardly the foundation had been securely laid of the first Industrial insurance company in this country,—a company which at the present time has a large portion of the population of Newark insured on its plans of Industrial, Intermediate or Ordinary life insurance; a company which at the present time has more than 3,500,000 Industrial policies in force on its books on the lives of American working people, and has indeed grown into an institution of great influence upon the social condition of the workingmen of America.

The early success of the Society had been little short of marvellous, and by May 22, 1876, the five-thousandth application for Industrial insurance had been received. The difficulties which had been experienced had not been sufficient to hinder materially the rapid growth of the Society in various directions,

but, as has previously been pointed out, the fraudulent imitations of concerns operating under similar names and following similar plans were likely, in course of time, to prove a serious menace to the good name and standing of The Prudential. The difficulties experienced in obtaining the services of good and reliable agents had often made it necessary to discharge inefficient employees, who would make use of their limited experience to establish societies or associations under names similar to the Prudential. Thus, about April, 1876, The Prudential Benefit Society had been organized in Newark by two men discharged from the service of The Prudential Friendly Society. The Newark *Sunday Call*, under date of April 2, 1876, found it necessary to call public attention to the danger of confusing a solvent society with insolvent imitations.

However, in spite of such discouragements and disadvantages, the Society continued to make progress, and by December 31, 1876, there were 4,816 policies in force, for an aggregate amount of insurance protection of \$443,072. The total premium income during this year had been \$14,495, of which \$1,956 had been paid for claims. The total expenses for the year had reached \$16,253, or \$1,758 more than the income. The deficiency, together with the necessary amount to be held as reserve, had, of course, been paid in by the stockholders; and thus, after almost fifteen months of actual experience in business operations, the Society was far from being in a prosperous condition financially, although, in the nature of the business, nothing else could have been expected for a number of years, or until the business should have become self-sustaining.

CHAPTER VII.

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA, 1877-1879.

Thus far the business of the Society had practically been limited to the city of Newark, but by November, 1876, it was decided to extend business operations to other cities of the State. Before this important step was taken it had been arranged for Mr. Dryden to visit England for the purpose of making a personal study of the methods and results of the British Prudential and the large Friendly Societies operating in the various parts of the kingdom, and with this object in view he sailed for Liverpool on November 28th, fully supplied with letters of introduction, not only to the managers of the leading societies and companies, but also to the leading actuaries and government officials connected with the administration of the various insurance institutions and Friendly Societies. This local investigation of conditions affecting Industrial insurance in England had become more and more imperative as the business of the Society had increased, and experience was gained which permitted of a careful study of the probable normal rate of mortality and sickness among insured lives in this country. Hence the importance of a personal investigation, on the part of Mr. Dryden, of the actual conditions affecting Industrial insurance in England, and the necessity of a personal study of the causes and reasons that induced the Prudential, the Royal Liver and other societies to abandon the sickness branch of their business after a short experience, which, it is clear, must needs have been unfavorable. Without entering extensively into the question as to why the American Prudential finally followed in the steps of the English companies in abandoning its sickness branch, it may briefly be stated that partly on account of the small demand for such insurance in this country, partly on

account of the inherent difficulty of transacting this form of insurance on a profitable basis, the Society, after having given this branch of the business a fair trial, finding it impossible to transact the same profitably or safely, followed other companies in limiting its business to whole-life policies on the level-premium plan.

It may not be out of place to add the words of Mr. (now Sir) Henry Harben in explaining to the Royal Commission on Friendly Societies the reasons as to why his company had discontinued transacting a sickness insurance business. Mr. Harben stated that, as a matter of fact, his company found that "it did not pay," and, further, that "We found that we were totally unable to cope with the fraud which was practiced," and hence Mr. Harben's conclusion that "We have tried it, and I think our agents are the most honest, and we can not manage it."*

During his stay in England Mr. Dryden gained much additional information, and became so thoroughly informed as to the most minute details of the vast business of the British Prudential that on his return he not only materially changed the practical working basis of the Society, but at once took steps to have the same reorganized on a purely commercial basis as the Prudential Insurance Company of America, which change in name took place by an amendment to the charter of The Prudential Friendly Society, which passed the New Jersey Legislature during the session of 1877, and became a law on March 15th of that year.†

Thus far, as has been stated, the business operations of the Prudential had been almost entirely confined to the city of Newark, but after Mr. Dryden's return from England steps were immediately taken to open offices in other cities of the State. This was not only in accordance with the laudable ambition to increase the business of the company, but was also due in no small degree to a yielding to pressure brought to bear on the

* Third Report of the Royal Commission on Friendly Societies, 1873, p. 73.

† Life Insurance Charters, p. 154. The Spectator Company, New York, 1895.

managers of the Company by leading citizens of surrounding towns, who by this time had fully realized the value of Industrial insurance from the standpoint of the taxpayer and public-spirited citizens interested in the betterment of the economic and social condition of the industrial masses.

Next to Newark, the most important manufacturing city in the State in 1877 was Paterson, which in that year had an estimated population of about 43,000, and which, according to the Census of 1880, was one of the most important manufacturing centres in the United States. During the early part of April, leading citizens of Paterson, including Mr. Garret A. Hobart, the late Vice-President of the United States, addressed a letter to the President of the Prudential, requesting a public explanation of the essential principles of Industrial insurance.* The following is a copy of the letter received by the Company :—

PATERSON, April 6, 1877.

ALLEN L. BASSETT, ESQ.,

President of the Prudential Insurance Company of America, Newark, N. J.

Dear Sir: Understanding that your Company is about to open an office here for the transaction of its business with the citizens of Paterson, we the undersigned beg leave to request that you will address a public meeting of citizens interested in this new system of Insurance, in some public Hall, and at such time as may suit your convenience, and explain its peculiar features.

Yours Respectfully,

JOHN J. BROWN,
JOHN SWINBURNE,
BENJAMIN BUCKLEY,
GEORGE WURTS,
THOS. N. DALE,
SOCRATES TUTTLE,
GARRET A. HOBART.

* Such lectures and public meetings on the subject of Industrial insurance were quite common during the early days of the business, and much good was accomplished by placing the merits of the "new departure" plainly and emphatically before the people.

THE
Prudential
 INSURANCE COMPANY
 OF AMERICA.

HOME OFFICE,
 SEVAST, NEW JERSEY.
Where all communications respecting this
 Policy should be addressed.

CHARTER
 PERPETUAL.




No. _____

Adult Policy.

Know all men by these Presents, That THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, in con- sideration of the representations and agreements made to and with them, in the application for this Policy, respecting the health, habits and condition of the person named and described in the first column of the schedule embodied herein, and also respecting any matter upon which this contract is based, and in further consideration of the sum of money, stated in the second column of said schedule, to them in hand paid, and of a like sum to be paid to said Company, or their authorized Agent, on or before each and every Monday subsequent to the date hereof, during the lifetime of said person, doth hereby promise and agree that, upon satisfactory proof of the decease of said person, they will pay, or cause to be paid (subject to the articles, conditions and agreements endorsed hereon), unto his or her executors or administrators, the sum of money stated in the third column of said schedule.

Proofers always, that the proceeds by or on behalf of this Company, its successors or assigns, of a receipt, of the description hereinafter mentioned, for the sum of money loaned hereby, or of other sufficient proof of payment by said Company of said sum of money to any or either of the persons hereinafter mentioned and described, and hereby authorized and empowered to sign said receipt for and receive the said sum of money, said receipt being signed by any person being either an executor or an administrator, husband or wife or relative by blood or consanguinity of the person designated in the first column of the schedule embodied herein, shall be final and conclusive evidence in all lawsuits and processes that such sum has been duly paid into and received by one person or persons lawfully and rightfully entitled to receive the same, and that all claims and demands whatsoever, upon or against said Company in respect to this Policy, have been fully satisfied.

Proofers, however, that this Policy is issued and accepted subject to the restrictions, conditions and agreements hereon annexed, which it is agreed form part of this contract, and upon the express stipulation that this contract shall become absolutely void, and all premiums paid thereon forfeited to said Company, if the considerations for which the same is granted are not true, or shall not be, in all respects, performed and observed; or if the said person shall, without the written consent of said Company endorsed hereon, go beyond the settled limits of the United States, or the British Provinces, or North America; or if the said person shall die by the hands of Justice or by suicide, whether sane or insane, or in consequence of the use of intoxicating drinks, opium or narcotics; or of being engaged in any unlawful act; or if the said person shall have previously obtained, from said Company, a Policy which shall, at the decease of said person, be in force, having a sum of money in consequence of his or her decease, unless the Policy first issued contains express permission that this Policy may also be in force at the same time.

	SECOND COLUMN.	THIRD COLUMN.	THIRD COLUMN.
	NAME AND RESIDENCE OF THE INSURED.	AMOUNT OF MONEY PAID OR TO BE PAID.	AND INTEREST.
			Subject to the conditions endorsed hereon.
			Co. \$ _____

In WITNESS WHEREOF, the President and Secretary of said Company have signed these presents, and attached the Policy Stamp of the Company, at the City of Newark, New Jersey, this _____

Edward J. Simon Secretary.

John A. Dryden President.



ADULT POLICY.

NEWARK, N. J.
HOME OFFICE.

THE
Fidelity Insurance Co.
OF AMERICA.

CONDITIONS AND AGREEMENTS HEREIN BEFORE REFERRED TO.

1. The statements and declarations made in the application for this Policy are in all respects full and true, and the said application is hereby referred to, and made a part of this contract.

A. The person insured under this Policy shall not, without the written consent of the Company, enter into any military or naval service (except the militia, when not in actual service), or engage in the manufacture of gunpowder, fire-works, or other explosive substances, or submarine operations.

2. If the person insured under this Policy shall die within six months from the date hereof, the Company shall be liable to pay one-fourth only of the amount specified in this policy. If the said person shall die after six months, and within one year from the date hereof, the Company shall be liable for one-half only of the amount specified in the policy. If the said person shall die after one year from the date hereof, the whole amount specified in this Policy shall be payable.

3. If any endorsement or alteration shall be made in this Policy, except by endorsement made and signed by an officer of the Company, the Policy shall be void.

4. If any attempt shall be made by any person or persons interested in this Policy to obtain money from the Company, under this Policy, upon any false or fraudulent claim or representation, then the said Company shall have the right to cancel this Policy, without notice to such person or persons; and the said person or persons shall thereupon forfeit all rights and privileges in the Company.

5. This Policy, and the Receipt Book in which a receipt is entered for the premiums paid on the same, shall, at all times, on application of any authorized officer or servant of the Company, be produced and exhibited to him; and upon any demand by the

Company, under this Policy, they shall have the right to demand and retain possession of said Policy and Receipt Book.

7. If, for any cause, this Insurance shall terminate, all premiums paid on account thereof shall be forfeited to the Company, and all liability on the part of the Company under this policy shall cease; and in case for any reason the Company shall not attend to the collection of premiums payable on this policy through its agent or collector, it shall be the duty of the policy-holder (within the time allowed by the Company) to bring or send said premiums to the home office or to the Company's agent, and in event of the failure of the policy-holder to perform this duty, the Company may cancel this policy without notice to any person or persons interested therein, any statute to the contrary notwithstanding.

8. No suit or action at law or in equity shall be maintainable to enforce the performance of this contract until fifteen days shall have expired after the filing in the principal office of the Company of the above-mentioned proof, nor unless such suit or action shall be commenced within six months next after the decease of the person insured under this policy; and it is expressly agreed that should any such suit or action be commenced after the expiration of said six months, the lapse of time shall be deemed as conclusive evidence against the validity of such claim, any statute of limitations to the contrary notwithstanding.

9. No payments of premium made on this policy while it is in force will be recognized by the Company as valid or binding unless made to a duly authorized agent, and by such agent entered at the time of payment in the Premium Receipt Book belonging with this Policy.

10. Agents are not authorized to make, alter, or discharge contracts; or waive forfeitures; or receive premiums on policies in arrears beyond the time allowed by the regulations of the Company.

To this letter Mr. Bassett, in behalf of the Company, replied as follows :—

NEWARK, N. J., April 7, 1877.

MESSRS. JOHN J. BROWN, BENJAMIN BUCKLEY AND OTHERS.

Gentlemen: It will afford me pleasure to accept your kind invitation, and I will name Thursday Evening, 12th inst., at a ¼ before 8 o'clock, at Odd Fellows' Hall, Main Street, as the time and place. During the last year of unparalleled "hard times" we issued 9,000 Policies to the citizens of Newark alone, and I can not see why the great beneficence which accrued to our people by reason of its liberal provisions, should not be furnished to the people of your City. This is a great step towards the people, providing as it does, *some insurance* to the poorest or the richest, male and female, and from 1 to 76 years of age, for a payment of 3 cents a week and upwards. I believe it worthy of the attention of all your people.

Very Respectfully, your Obedient Servant,

ALLEN L. BASSETT,
President Prudential Insurance Company.

The above letter proves clearly the public interest in the new form of life insurance, and, by implication, the local need of some such form of a voluntary method of enabling the factory-workers and others to make secure provision for funeral expenses and the cost of medical attendance in a manner suitable to their social and economic conditions.

Among other leading newspapers of Paterson, the *Paterson Guardian*, one of the oldest newspapers in New Jersey, gave emphatic endorsement to the plan of the Prudential, referring to it as "practical insurance," adding that "we do not see why it should not be placed within the reach of everybody." Incidentally, mention was made of the fact that the Company had already extended its operations to Jersey City, Elizabeth and Hoboken, while the average issue of new policies had then reached 250 policies a week.

That there was a similar demand for Industrial insurance in Pennsylvania is proven by frequent references to the subject in the *Insurance World*, published at Pittsburg, Pa., agitating for the opening of Industrial offices in that State.

In Jersey City, where an office had been established during the early part of 1877, the leading newspaper, the *Jersey City Journal*, in its issue of June 23, 1877, referred to the Prudential

as follows: "The secret of this success is, we take it, not only the tact and energy with which the enterprise has been managed, not even the eminent respectability of its Board of Directors, though these have contributed much to it, but it is mainly in the fact that this feature of insurance supplies a need which the industrial classes have felt. *They now have the opportunity of making a small provision for their families, on easy terms.* We doubt not the opportunity will be gladly embraced here, as it has been elsewhere, and that it will result in a positive advantage to our people."

Thus during its early career the Company was welcomed wherever it opened its offices, as a useful factor in a much-to-be-desired amelioration of the condition of the industrial population; while at the same time eminent citizens, as well as the public press, recognized clearly the fact that Industrial insurance was most likely to meet a want on the part of the masses, which thus far had not been met by any other of the large number of so-called insurance institutions.

While some satisfactory progress had been made, outside factors did much to hinder the financial and general progress of the Company. Aside from the general distrust of the public in all matters of life insurance, in consequence of the many failures of companies in other States, there also occurred this year the failure of a company having its home office in the city of Newark, which proved a most serious matter to all the other insurance companies transacting business in the State of New Jersey.

The New Jersey Mutual Life Insurance Company had been organized in 1865, and during its early years had been in the hands of some of the leading citizens of the State. For reasons which can not be discussed here, the company had, in 1872, come under the control of outside parties, who at once began operations which soon involved the concern in financial difficulties, and finally brought about the bankruptcy of the company. As late as August, 1874, the company had been examined by Elizur Wright, who reported, as the result of his examination, that he "found no reason why its policy-holders should be dissatisfied or distrustful."* But proof was soon forthcoming which made it clear that the company, at the time of its examination, was not

* New Jersey Life Insurance Report for 1877.

in a sound condition, and that Mr. Wright and his examiners had been "deliberately and wofully deceived." The cause of the failure was due to nothing else than criminal mismanagement, and under date of December 16, 1876, Mr. David Parks Fackler made a further examination which disclosed a most stupendous fraud, proof of fraudulent mortgages and fictitious bank balances, of borrowed bonds and unstated liabilities, illegal loans and the fraudulent attempt to reinsure the business of the company in another concern in a similar shaky condition.

The effect of this failure can readily be understood by any one familiar with the effect of public distrust on financial institutions; and when I add that the loss to policy-holders was estimated at \$965,161 in cash, to say nothing of the amount of insurance protection lost to the unfortunate policy-holders, it will be apparent why such a calamity must needs have proven a serious check to the business development of a young company offering to the working people life insurance on a new and, for the time, rather novel plan.

Considering all the difficulties and drawbacks indicated, it is remarkable that during the year 1877 no less than 10,521 new policies for a sum of \$967,000 should have been issued by the Prudential, while 11,226 policies for \$1,030,655 remained in force at the end of the year. Comparing this result with the fact that at the close of the preceding year only 4,816 policies for \$443,000 remained in force, we have a substantial gain in business of more than 100 per cent. During a year, in many respects a most disastrous one from a life-insurance standpoint, the new system of life insurance had continued to make progress, although all the old-line companies operating in New Jersey actually suffered a material decrease in their amount of insurance in force. In marked contrast to the success of the Prudential, according to the official report of the Insurance Department of New Jersey, twenty-six companies operating in the State on the level-premium plan decreased in business from 19,266 policies in force at the end of the year 1876 to 17,339 policies in force at the close of the year 1877.

The total income of the Prudential during 1877 had reached \$30,868, while the expenses and claim disbursements amounted to \$24,175. On the basis of a gross valuation the assets of the Company were \$26,906. against which there were liabilities of

\$20,791, showing a small but sufficient surplus. The business of the Company, at the end of the year, consisted of 11,226 policies, divided as follows, according to the three branches into which the business transactions were divided :—

**BUSINESS OF THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA.**

DECEMBER 31, 1877.

	No.	AMOUNT.
Whole-Life Branch,	10,627	\$1,027,751 00
Sickness Branch,	594	2,304 00
Annuity Branch,	5	600 00
Total,	11,226	\$1,030,655 00

It is quite clear that the sickness and annuity branches of the Company's business had assumed only small proportions, and the bulk of the business was in whole-life policies for sums payable at death. The result of the year's experience had therefore been emphatically in favor of the transaction of a whole-life business, and indicative of only a limited demand for sickness insurance and, further, indicative of no commercial demand for deferred annuities on the plan offered by the Company.

Thus far the business of the Company had been transacted in the basement of the State Bank building, 812 Broad Street, but the increase in clerical work demanded larger quarters, and the offices of the Company during the early part of 1878 were moved to 215 Market Street. As an indication of the economy necessary to be practiced at this time, I may add that the new quarters, which were three times as large as the old, were secured at a rental of only two-thirds of what had been paid for the former offices.

The success of the Prudential gradually attracted the attention of other companies, and, but for the prevailing financial crisis, other attempts in the direction of organizing Industrial companies would no doubt have been made. But money seeking investment was not likely to be attracted to new life-insurance ventures at a period when the whole business was practically under a



HOME OFFICE OF
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
1878-1883.

shadow and partly in disgrace, and thus the Prudential remained alone in the field for some time to come. The subject, however, was kept so fully before the insurance companies, through the medium of the insurance press, by comments on the great success of the English Prudential and the limited success of the American company of the same name, that it was only a question of time—in fact, of only a few months—when improved financial conditions would make possible the launching of new enterprises in the field of Industrial insurance. A half-hearted effort was made in the early part of the year, by the John Hancock Mutual Life Insurance Company of Boston, which attempted to transact what it called a "Prudential business" on the monthly-premium payment plan, offering insurances for sums as low as \$250; but the experiment was not a success.

It is difficult to explain why the monthly-premium payment plan should so invariably have proven a practical failure, but the bare fact remains that the people do not seem to care for this kind of insurance, even though the plan is actually the cheaper in comparison with the weekly plan of general Industrial insurance.

All efforts of this kind, however, had their value, in that they made clear the attitude of the public in its preference for life insurance on the weekly-premium payment plan, and it was fortunate that every possible species of workmen's insurance was tried either before or at the same time that Industrial insurance was passing through the early stages of its development in this country. If the new plan of insurance had points of weakness, or if the same was ill-adapted to American conditions, the sooner it was found out the better. Certainly, nothing would have been more disastrous to the cause of genuine life insurance for working people than the failure of Industrial insurance, once the system had assumed vast proportions. From the standpoint of public policy, as well as from the standpoint of the individual policy-holder, it was of the utmost importance that Industrial insurance should be subjected to every test, difficulty and trial, so that, if failure was inevitable, it should take place before the system had grown into one of considerable magnitude. It is not too much to say that no form of life insurance or other financial undertaking has ever experienced more difficulties and been subjected to more trials, testing its inherent worth, than was Industrial insurance, as

practiced by the Prudential during the early years of the Company's operations.

As the business of the Prudential increased from year to year, more and more intelligent public consideration was given to the subject, and, as an indication of the public recognition of the value of the new system of insurance, I can not do better than quote the following extract from a long article in the *Insurance World* of April, 1878, as an illustration of the conception and appreciation of the subject at this period :—

We think that *this system of insurance among the poor if worked up, would become as popular here as in England*; some of our leading companies should set aside a good sum for the purpose of testing it. The agents now in the field could have it under their care, appointing the collectors in every workshop, street or village, whose business would be to take risks, collect moneys every week or two weeks, and pay it over to the agent. *The small sums insured, payments made, and the absence of bother, would soon recommend it; the poor would take hold of life insurance as they have not yet done, and millions of insurance would be the result.*

The principal value of the article is to be found in the earnest plea for insurance for small amounts and premiums payable on the weekly plan, and, as the *Insurance World* well said, that "If this plan were once placed before the public, millions of insurance would be the result."

While the Prudential had been successful in introducing genuine Industrial insurance on the plan of the British Prudential to the working population of the large manufacturing cities of New Jersey, other companies, like the John Hancock Life Insurance Company of Boston, had failed to make a success of the plan of monthly-payment insurance; while the Metropolitan had made but a very limited success of its "Bund" or "Union" arrangement with various organizations attempting to transact an insurance business on the weekly-payment plan. In reference to the Bund plan of the Metropolitan, the position of the company was well stated in an article in the *Spectator* for May, 1878, from which I quote as follows :—

The Metropolitan has met with better success in doing *so-called* industrial insurance than any other company in the United States. It has done this through the agency of a powerful social organization of Germans—an aid which no other company has been able to secure for such a purpose. In this work the company has undoubtedly extended the benefits of life insurance among a worthy class of people, where, without this or some

similar agency, but little life insurance business could be done. Small shopkeepers, mechanics with small incomes, laborers and others who would not ordinarily be induced to look enough at the subject to apprehend the benefits of life insurance, or to believe that its benefits were within their reach, have been approached by means of this organization—which confers substantial benefits upon its members aside from the life insurance privileges extended to them—and have been persuaded to protect their families by such an amount of life insurance as they could pay for without serious inconvenience.

The *Spectator* properly speaks of this form of insurance as "so-called" Industrial insurance, for an attempt to transact life-insurance business on the weekly-payment plan does not, as such, represent Industrial insurance as it is understood by those who manage the business at the present time. As has been previously pointed out, an effort to transact an insurance business on the weekly-payment plan had been made as early as 1847, by the Mutual Benefit of Newark, and in 1868 by the American Popular Life and other companies; but these efforts failed, in that no provision had been made for the collection of the premiums, the insurance of persons at all ages, and the adjustment of amounts of insurance to the premiums as a unit, instead of, as is the practice in Ordinary insurance, the adjustment of the premium to the amount.

While writers on the subject of life insurance for the masses recognized more or less the great value and success of the British Prudential in developing in England its system of Industrial insurance, there were many who were skeptical as to the question whether the system would ultimately prove successful in the United States. Among others, the *Spectator*, then, as now, one of the leading insurance publications in this country, in an article on the success of the British Prudential, expressed the belief that the British form of workingmen's insurance was not likely to prove successful among the people of this country, for, it was argued, they would not insure for small sums, nor would they be willing to pay premiums in weekly instalments, as is the practice, and one of the essential principles of workingmen's insurance on the Industrial plan. I can not do better than quote briefly from the article in the *Spectator* for May, 1878, as follows:—

It is not surprising that the report recently made by the Prudential Assurance Company of London has attracted a great deal of attention and

elicited extended comment in the United States. The report shows that the company has met with very great success in what it calls its Industrial Branch, and *certainly success in this branch of its business means valuable service rendered to a large and needy class of people, who if they did not make this or some similar provision would leave their families in poverty and generally in pauperism. No words can exaggerate the value of the work this company is doing among the laboring people. It promotes temperance, frugality, thrift and all the kindred mortal virtues, and saves tens of thousands from a life of pauperism and crime, and from a pauper's or felon's death.*

But those who look upon the success of this company as something which can be equalled or even imitated in the United States ignore some patent facts. And any company which undertakes that class of business in the United States expecting to meet with success comparable with this will certainly be disappointed. The failure of the efforts which have hitherto been made in this country, in the direction of so-called Industrial Insurance, is not attributable to a want of intelligence as to methods nor to a want of persistence on the part of officers and agents (albeit these defects have characterized the efforts), but to the fact that *such insurance is not adapted to the population of the country.*

And this naturally leads to the consideration of a field which life insurance in the United States has not hitherto cultivated as much as it ought to do, and in which good results may be produced. Pretty much all the efforts of companies and agents have been made among those who could afford or could be induced to take policies for large sums. Many solicitors regard time spent in talking about a policy for less than \$10,000 as time wasted; and \$5,000 has been the minimum sum worth any consideration at their hands. Of course, the temptation to seek those and only those who can afford to pay several hundred dollars per annum for life insurance is strong, and the ambition to get applications for large policies is a worthy one, but companies and agents must thereafter look for the most of their business among another class of people, as well as among the same class with reduced incomes and modified estimates of their ability to pay and of the requirements of their families.

There are in this country many thousands who need life insurance and who can afford small policies—say, from \$1,000 to \$2,500—who have never been solicited by competent men. The solicitors who have been sent to these persons have been beginners in the work who had not learned how to present the advantages of life insurance or the merits of the company they represented; or those who, though not beginners, were incompetent from lack of intelligence or lack of industry, and the result has of course been failure. If a competent solicitor, one who has hitherto been able to take applications for large policies, would go among these people and work with as much persistence and enthusiasm as he has customarily employed, and with entire frankness, he would find the result profitable to himself and any really good company he chose to represent.

On careful examination of this article an experienced life underwriter will at once notice that the plea of the *Spectator* for an extension of the principles of life insurance to mechanics and others for policies of from \$1,000 to \$2,500 was really a plea for what, in course of time, became known as "special adult business" or "Intermediate insurance," as transacted to-day by Industrial companies in all parts of the country. This form of insurance could not be written on any considerable scale until the vast population unacquainted with insurance principles had been educated by slow degrees, first, in the habit of systematic saving; second, in a true appreciation of the beneficence of legitimate life insurance, even in small amounts as they are returned to policy-holders by the methods of the weekly-payment plan. Life insurance as practiced by the Ordinary life companies during the later seventies and early eighties was really class insurance, open only to men of considerable income and means. Industrial insurance, however, did appeal to the industrial population to an extent no doubt surprising to those who did not consider the system applicable to the United States. And nowhere, perhaps, was this tendency more clearly recognized than in a later number of the *Spectator*, published during August, 1878, and in which the truth was stated, that "life insurance is about descending from a wholesale to a retail business." The early error on the part of the *Spectator* is easily explained by the paucity of general information on the subject at the time, and the unostentatious manner in which the problem of Industrial insurance was actually being solved in Newark, less than ten miles distant from New York. In justice to the *Spectator* it must be said that it was not the only insurance journal which, at a critical moment, seemed rather to oppose the development of Industrial insurance in the United States; for, as a matter of fact, even the *Monitor*, which had at various times done much to call public attention to the principles and practice of Industrial insurance, made unfavorable reference to the same in its November issue in 1878. In the words of the *Monitor*, "the facts leave it more than ever open to doubt whether Industrial insurance can be successfully carried on according to the Ordinary methods of life insurance," and, rather than approving of the British plan of dealing directly with the policy-holders, the *Monitor* expressed the opinion that "The company, to be economical, can not deal directly with individuals.

It must work through and deal with subordinate organizations, which shall themselves furnish the membership, and relieve this great item of cost. If this be true, Industrial insurance can only be successfully worked through the 'Bund' system, such as has been adopted by some of the American companies."

Fortunately, this advice on the part of the *Monitor* was not heeded, for at the very time one of the leading organizations, a well-known German insurance and relief society, with nearly 7,000 members in different cities, was rumored to be in difficulties, and it was not long afterwards when the concern went out of existence, its obligations being assumed by a regular Ordinary life company.

However discouraging such remarks as the preceding must have been to Mr. Dryden and his associates, the progress of the Prudential was never for a moment seriously hindered, though the difficulties and discouragements would easily have brought institutions resting on a less substantial basis to an early end.

At a time when Industrial insurance was being actively placed before the public, practically every other form of insurance for workmen had either been tried or was now being put forward, either on the plain basis of a business undertaking in the name of assessment insurance, or on the semi-business basis of so-called fraternal-insurance organizations. A writer on the subject, who seems to have given considerable attention to this side of the question, stated that there were then in the United States, approximately, 200,000 persons insured in Masonic Orders, Odd Fellows' Associations, or other forms of fraternal insurance.

One of the more prominent and important of these fraternal associations was The United Brethren Mutual Aid Association of Lebanon, Pa., which by 1878 had reached a membership of some 13,000. After an existence of twenty-seven years the society failed in 1896 in consequence of inherent defects which must sooner or later prove the downfall of all similar institutions. The pathetic side of such failures has seldom been better brought out than in the following letter from Salem, Oregon, published in one of the insurance journals during 1896:—

When I was a young man I was induced to join the United Brethren Mutual Aid Society, which, at that time, was considered the strongest fraternal order in existence. I have faithfully paid my assessments for nearly a quarter of a century, and now in my old age, when I most need

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insurance and am unable to get it in a regular life insurance company, I find myself left without any insurance whatever—because this order, that I placed my reliance in, went into the hands of a receiver March 17, 1896.
* * * * *It seems almost like a criminal act to induce people to place their faith in institutions of this kind.*

P. C. HETZLER.

If Industrial insurance had served no other purpose it would have full justification for its development in offering a safe and substantial substitute for these so-called co-operative or fraternal insurance associations.

CHAPTER VIII.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
1879-1880.

After a period of three years and two months of actual business operations, The Prudential, on January 1, 1879, was still the only company transacting Industrial insurance in the United States, and, while satisfactory progress had been made, no other company had attempted to adopt the plan of The Prudential. The number of policies in force, which had been 11,226 on December 31, 1877, had increased to 22,808 policies by the end of 1878. The insurance in force had been more than doubled during the year, and that, too, in spite of the fact that the business operations of the Company were confined to the State of New Jersey.

The business being now restricted to the insurance of sums payable at death, more publicity was given to the premium rates, and the following are abbreviated copies of the tables in use at this time :—

INFANTILE RATE TABLE.

TABLE OF BENEFITS PAYABLE FOR A 3-CENT WEEKLY PREMIUM.
NO HIGHER PREMIUM CAN BE TAKEN.

(First used April 2, 1877.)

AGE LAST BIRTHDAY.	AFTER THREE MONTHS.	AFTER ONE YEAR.
1	\$10 00	\$11 00
2	11 00	12 00
3	12 00	13 00
4	13 00	14 00
5	14 00	15 00
6	15 00	18 00
7	18 00	22 00
8	21 00	28 00
9	25 00	35 00
10	33 00	46 00
11	45 00	60 00
12	60 00	

If the child dies within three months from the date of the contract, no insurance will be payable.

It will be noted that under this table the Company limited the premium on policies for persons under the age of thirteen to three cents, while no benefit was payable until the child had been three months insured. This practice during the early years of Industrial insurance is another indication of the conservative and cautious spirit which has been such a marked characteristic of the managers of The Prudential Insurance Company of America.

ADULT RATE TABLE.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA. 1879.

WEEKLY PREMIUMS.				
AGE.	FIVE CENTS.	TEN CENTS.	TWENTY-FIVE CENTS.	FIFTY CENTS.
13	\$117 75			
15	114 00			
20	103 00	\$206 00		
25	90 50	181 00	\$452 50	
30	79 00	158 00	395 00	
35	67 75	135 50	338 75	
40	56 75	113 50	283 75	
45	45 50	91 00	227 50	\$455 00
50	37 00	74 00	185 00	370 00
55	29 75	59 50	148 75	297 50
60	23 25	46 50	116 25	232 50
65	17 00	34 00	85 00	170 00
70	12 50	25 00	62 50	125 00
75	9 50	19 00	47 50	95 00

How carefully these tables had been calculated is illustrated by the fact that to-day, after twenty years, the rates are practically the same, while the benefits have been increased in the direction of more liberal concessions, with special reference to paid-up policies, cash-surrender values, etc. The only material changes or increases in the amounts of benefits which have been made are to be found under the infantile table, where larger amounts are now paid for the same unit of premium. This is due largely to the increased duration of infantile life, or, conversely, to the diminished mortality of children under ten years of age which has taken place during the past twenty years.

That the difficulties, disadvantages and even dangers of the new experiment in life insurance were fully realized by outsiders is incidentally made clear by some remarks addressed to the officers of the Company, and especially to Mr. Dryden, at a banquet

and annual reunion of the officers and agents of The Prudential in January, 1879; and it may not be out of place to give space to a brief abstract of the remarks of Dr. Burnett, who spoke as follows:—

In conclusion, gentlemen directors, allow me to give my most agreeable testimony to the thorough work done in this office. The Prudential Insurance Company of America is skillfully managed on an efficient business basis. Its financial affairs are transacted with rigid economy, united, when the interest of the Company demands it, with a most liberal fact. There is nothing niggardly here, although every item of expense is subjected to the closest scrutiny. Gentlemen, your work is well done. * * * Never was a "Captain" more ably supported by a lieutenant than is our President by our most efficient Secretary. As long ago as *June 9, 1873*, when I had the pleasure of examining the Hon. John Whitehead, the first applicant for a policy in The Widows' and Orphans' Friendly Society, out of which The Prudential arose, he being the President of the Society at that time, and *Mr. John F. Dryden* was the second applicant for \$1,000 in the same Society—our Secretary was already revolving in his fertile brain the idea of The Prudential Company in America, founded on the same principles as the great Prudential of London. He often conversed with me upon the subject, and prophesied its coming formation and its coming success. His whole soul appeared to be bound up in the idea, and I rejoice that the Company has, as its representative in this capacity, a gentleman of rare executive ability with a life-love for his work, a true and an honest man—God's noblest work.

This view of the success of The Prudential, increasing public appreciation of this form of insurance, the officially attested facts indicating the progress and financial solvency of the Company, all accessible to the managers of other insurance institutions, made it clear that the time was not far off when Industrial insurance would be undertaken on a larger scale and by other companies with an ample capital and an established agency force likely to prove of material aid in developing new territory.

The opportunity for new Industrial insurance companies was apparent and recognized by many of the insurance journals of the period. Thus, in December, 1878, the *Insurance World* of Pittsburg, Pa., called attention to the fact that "Industrial insurance, notwithstanding the expense, is a growing necessity in our workshops and factories. Some of our large companies might reap a harvest in this direction. The Travelers, if we might make the suggestion, is a company well adapted to take hold of this work." Thus, by December, 1878, the growing

necessity for Industrial insurance was becoming recognized outside of the city of Newark, and in Boston I find that there was in existence, in 1879, The St. Peter's Workingmen's Benefit Club, in a manner a typical American Friendly Society, with 73 members, in which dues were paid weekly at a rate of 10 cents per member, for insuring \$5 a week in sickness, \$30 at the death of a member, and \$15 at the death of a member's wife. As an indication of the necessity for public education in matters of insurance and savings, I can not do better than quote the remarks from the "Massachusetts Labor Report for 1879," published in 1880, in which it was stated that "the great multitude of our workingmen, for whom almost nothing is done except by way of relief when they fall into distress," represent "the field to-day for the best work."

Official reference is made to the subject in the annual report of the Massachusetts Insurance Department for this year, in which occurs the statement that "the people are not satisfied with present developments or conditions," and facts seem conclusively to prove the increasing popularity of what are termed "Prudential," "Industrial," "Mutual Benefit," "Mutual Relief," "Co-operative," and other plans of insurance, some of the latter having no scientific basis or financial stability.

Manifestly, the question of Industrial insurance was now actively before the public, and neither Insurance Commissioners nor the insurance press missed an opportunity to make reference to the increasing need for this form of insurance in all parts of the country. In the *Insurance Times* for April, 1879, I find a lengthy article on the subject, from which I make a brief quotation:—

There may be an attraction in placing policies for large amounts on the lives of persons who are likely to be prompt in the payment of premiums at considerable intervals. *But if life insurance be a system benevolent in its spirit and beneficent in its workings, the prime object should be the diffusion of its blessings among the masses—the good of the greatest number, not the great good of the few. No consideration of present trouble and vexation should stand in the way. Will it pay? is the only practical and proper question as to any class or condition of life. Just as low in the scale of society as the effort can be made self-sustaining, should the insurance manager be willing to go.*

The last remark is especially significant. As I have previously stated, Industrial insurance companies have never made

it their business to go low down in the scale of human beings for the purpose of placing their policies. This would not be desirable from a business standpoint as regards a profitable progress, since the high mortality prevailing among the lowest poor is in itself a sufficient discouragement to their insurance; but a still more serious disadvantage in transacting business among paupers, or the lowest poor, is that the requirements of the business for the continuance of the policies are not such as to make it possible to transact business among them on a profitable basis. It can not be too often pointed out that a distinction should be drawn between paupers and the poor or lowly, who still in their deepest poverty maintain a determined struggle for existence upwards and onwards towards a higher and a better life. It is something very considerably to the credit of the industrial population, or that large portion which work for small and often uncertain wages, that they have, nevertheless, within the limit of their means, if but for a single five-cent premium, made a provision on their own account against life's contingencies, and, as it has been so eloquently said by Mr. Dryden, "against a fate worse than death."

For some curious reason the *Insurance Times* seems to have known very little of the progress of The Prudential even as late as April, 1879, for in a lengthy article on the subject, in which once more the value and importance of the system is pointed out, the editor concludes that "The time is ripe for this great and beneficent undertaking. Some one will soon step forward to secure the profit, if not the laurel. The movement ought to be controlled by the large life insurance companies, whose abundant means, previous success and matured system would inspire confidence. They have the facilities for organizing a new clerical force, and for managing the details of the business in an economical way. Which of them will be the pioneer in America? The company first in the field is sure of a great and profitable success. The moment it announces its intentions it will receive a God-speed from the newspaper and press generally, and from every true philanthropist."

To these words of just appreciation of the necessity for Industrial insurance for the industrial population, the *Insurance Times* of April, 1879, adds some further comments, as to the probable results of the introduction of this form of insurance

into the United States, which subsequent events have fully justified:—

Now the industrial insurance will seize on this circumstance in the lives of the lowly. It will become a tie to bind a man to his family. He will not only feel that he is doing something beyond what the law will compel him to do, but he will be reminded month after month, or week after week, as the insurance man appears, that he is bound by a tie that will require more than ordinary selfishness to break. It is a silken tie, but one that may last for life. Nay! It may be strong even when he sleeps in death. For he is rearing a monument of esteem and affection in the heart of his family that may have more real grandeur than a cenotaph of marble.

What will be the effect of this increase of family affection? Unquestionably higher morals. There will be an additional motive to lead a good life. Home will become attractive. The tavern and bar-room will lose their attractions. The society of the family will be preferred to the society of the vicious. Those that have failed will be reclaimed. Those that are tempted may be confirmed in good purpose.

This improvement in the social relations may cause, or it may be caused by another benefit of industrial insurance. The man will become more regular in his business habits, in the employment of his time. It will not require the mathematics of the actuary to demonstrate that the parties assured will, on the average, earn more difference in money than the amount of their premiums. The regularity of the instalment payments will tend to make men more methodical. What makes them more methodical will improve their finances. The removal of anxious feeling as to the future welfare of their families will tend to make them more efficient. And they will not only earn more, but they will spend less on things of no account. Great philanthropists have often said that they had none the less money for their benevolence. Their habits of life are more productive. "Giving doth not impoverish." "There is he that scattereth and yet increaseth." *Industrial insurance will, in a thousand ways, and by a thousand circumstances, acting and re-acting on each other, promote at the same moment the moral welfare of the assured and improve their pecuniary condition.* The network of social relations, and of the various influences that affect individual mind and action, are so interwoven that the whole system grows and expands imperceptibly and inscrutably. "Touching one must strike the other, too."

With the improvement in morals and in material interests will come the elevation of the man as a member of the body politic. He will not only be lifted higher in the scale of society, but in many cases the mere consumer will be converted into a producer. It would require no fertile pen to picture the public benefits of industrial insurance. The decrease of crime, the stoppage to a great extent of the drain necessary to provide the benevolent institutions required by destitution and infirmity, the saving to the State in the cost of maintaining its criminal jurisdiction and supporting its reformatory and penal establishments, the addition to its tax-paying population, the improvement of the public health, and the

increase of longevity, are only some of the public benefits that will grow out of this beneficent system.

These just and prophetic utterances were made by a writer familiar with the results which Industrial insurance had already achieved in England; and it is not too much to say that seldom has prophecy been more fully realized than in the case of Industrial insurance—to-day, from the workingman's standpoint, at least, the most satisfactory method of providing for the contingencies of life, and of securing widows and orphans against pauperism and want in many forms.

The article from which I have quoted at length was no doubt largely instrumental in calling the attention of insurance companies to the increasing importance of Industrial insurance, and, in fact, the same number of the *Insurance Times** contains a reference to the fact that several New York life-insurance companies were contemplating the adoption of the plan of Industrial insurance, while one, the Provident Savings Life Assurance Society, had actually organized an Industrial insurance department, under the supervision of an English gentleman familiar with the methods of the British Prudential. The Provident Savings was, therefore, the first of a number of regular Ordinary companies to follow the lead of The Prudential in transacting an Industrial business on the plan of the British Prudential. The Provident Savings, however, failed to recognize all of the essential principles, and seems never to have entered seriously and energetically upon the transaction of this form of insurance. The company never attempted to push this class of business even in the very beginning, and after a few years the Industrial branch was discontinued.

Closely following the organization of an Industrial department on the part of the Provident Savings, came an attempt on the part of some of the officers of the New York Life, who had associated with themselves Mr. Bassett, the first President of The Prudential Friendly Society, for the purpose of organizing the Industrial Insurance Company of the United States. The new company proposed to issue policies from ages one to seventy-five, and furnish insurance in sums ranging from \$50 to

* *Insurance Times*, April, 1879, p. 232.

\$500 to the poorer classes, receiving the premiums in weekly or monthly instalments. The payments were to range from three cents to fifty cents a week, but, for reasons which can not now be ascertained, the company did not assume a corporate existence, although an effort seems to have been made to organize the same on a substantial basis. Both Mr. Beers and Mr. Franklin, as officers of the New York Life, were among the incorporators, but it would appear that the effort was only a half-hearted one, probably due more to Mr. Bassett's influence than to a strong inclination on the part of the officers of the New York Life. In making reference to this effort to organize a new Industrial company, the *Spectator*, in its October issue of 1879, referred to The Prudential and the results which had been accomplished as follows:—

The Prudential, of Newark, has been extremely successful thus far, and we have no doubt but the application of the same principle to a more extended field will meet with equal success. *It is but justice to state, in this connection, that The Prudential, of Newark, is largely indebted to its Secretary, John F. Dryden, for the success which it has realized. His ability and indefatigable industry have been incessantly devoted to the furtherance of this system of insurance, of which he was the original promoter in this country. Having been so successful in New Jersey, the Company is about to commence business in New York State.*

Before I deal with the extension of the business of The Prudential to other States than New Jersey, I must briefly notice an effort to establish an Industrial insurance company in Massachusetts, by the John Hancock Mutual Life Insurance Company of Boston, which, as has been stated, had commenced the issue of monthly policies on what it called The Prudential plan, as far back as January, 1878; but it was in this year, in August, 1879, that it commenced the issue of regular Industrial policies on the weekly-premium payment plan, identical in most respects with the methods and practice adopted by The Prudential of Newark, after the model of the Prudential of England. This effort on the part of the John Hancock proved a success, and the company is to-day the third largest Industrial insurance company in this country.

At the same time that the Provident Savings and the John Hancock were making efforts to extend Industrial insurance, another large company had had the question under consideration

for some time, and seems to have been actively engaged in the study of Industrial insurance in England through its president, who, immediately upon his return, took steps to organize an Industrial branch, out of which in time developed the largest Industrial insurance company of America,—The Metropolitan Life Insurance Company of New York.

The first Industrial policy of the Metropolitan was issued on the 17th of November, 1879, or just four years after The Prudential had commenced actual business operations,—on the 10th day of the same month in 1875. Thus, by the close of the year there were four companies actively engaged in the business of Industrial insurance, and it may be of more than passing interest to give the results accomplished, as shown by the returns of the business in force December 31, 1879 :—

INDUSTRIAL INSURANCE IN THE
UNITED STATES. 1879.

	No.	AMOUNT.	AVERAGE POLICY.
Prudential,	43,715	\$3,866,913 00	\$88 00
Provident Savings,	1,947	258,033 00	133 00
John Hancock,	9,327	951,000 00	102 00
Metropolitan,	5,143	516,618 00	100 00
Total,	60,132	\$5,592,564 00	\$93 00

This table shows that there were in force in 1879 in The Prudential 43,715 policies, while the four companies together had over 60,000 policies in force. While only four companies are included in the above table, there was still another, The Germania Life Insurance Company of New York, which also during the month of November* had commenced the transaction of an Industrial business, but for which the returns are not available for the end of the calendar year, 1879.

Thus by January 1, 1880, five companies were in the field, and the history of Industrial insurance thereafter is no longer exclusively the history of The Prudential Insurance Company.

* By a curious coincidence the first Industrial policy of the Germania was also issued on the 17th of November, 1879.

The object of Mr. Dryden's efforts had been accomplished: Industrial insurance had been proven a success, the business had been established on a substantial and scientific basis, and all the companies which followed The Prudential followed its lead in placing the Industrial business on a sound financial foundation, and for this reason there has never been a single failure of a legitimate Industrial insurance company in the United States. To this is due the fact, in marked contrast to the history of the thousands of attempts at pseudo-insurance transacted under various names, that not a single dollar has ever been lost to a policy-holder in an Industrial company on account of financial insolvency, or the shameful betrayal of a sacred trust.

Near the close of the year 1879 The Prudential had taken steps to increase its capital to \$100,000, to provide the necessary deposit to enter the State of New York. Men of exceptional ability had been induced to enter the service of the Company and, among others, Mr. John F. Collins, who had been the Secretary of the Republic Life of Chicago, was placed in charge of the Company's business in Philadelphia, while Mr. George H. Thornton, ex-President of the John Hancock Mutual Life, was given charge of the office of the Company in the city of New York. The *Philadelphia Underwriter*, in making mention of the extension of the operations of the Company, referred to the opening of an office in Philadelphia, stating that "We trust that under the lead of the efficient gentlemen and their coadjutors, who now direct the affairs of the Company, its career may be, over a large extent of territory, as nobly efficient as it has been in Newark and vicinity."

The *Insurance Monitor*, in November, 1879, in referring to the admission of The Prudential to the State of New York, referred to the Company as follows:—

The Prudential Life Insurance Company of New Jersey has been admitted to the State of New York, and has taken offices in the Astor House, where the headquarters of the company will henceforth be. This institution has been, for several years, quietly at work in New Jersey, and the amount of business which it has placed upon its books is something amazing. *It is the first practical illustration of what can be done in prudential life insurance that has yet been furnished by an American institution, and we shall look with great interest for its future development.*

Before the Company had been admitted to the State of New York its affairs had been thoroughly investigated under the direction of the Secretary of the State of New Jersey, by so high an actuarial authority as Mr. David Parks Fackler. I quote from the *Spectator* of November, 1879, a brief statement in reference to this examination :—

Recently the stockholders of the company paid in an additional \$100,000, and now propose, as soon as the details are arranged, to prosecute business in the States of New York and Pennsylvania. The sum of \$100,000 has been deposited with the New Jersey State Treasurer, and, at the request of the company, its affairs have been thoroughly investigated, Secretary of State Kelsey employing D. P. Fackler, the well-known insurance actuary, to value its liabilities and to critically examine not only the assets of the company, but its methods of doing business. The reports upon both heads are exceedingly complimentary to the management of the company. The Prudential is conducted upon precisely the same plan as the Prudential of London, one of the largest and wealthiest life companies in the old country. Hundreds of instances might be mentioned where a policy in The Prudential has saved the insured from being buried in a pauper's grave at the expense of the public. *It will be seen that the purposes of the company are beneficent in the highest degree, and we have no doubt but it will meet with continued success in its enlarged sphere of usefulness.*

As has been stated, by the first of January, 1880, The Prudential had 43,715 policies in force, for a sum of \$5,866,913 of insurance protection. From the beginning the Company had acted upon a principle, from which it has never deviated during the course of more than a quarter of a century of Prudential history,— and I can not do better than quote Mr. Dryden's views on this point, from the annual letter to the field force, dated January 2, 1900, in which I find reiterated what had so often been expressed in earlier official communications: "By word and pen we have made it known that The Prudential seeks only to surpass its own record." This policy of conservatism and prudence has characterized the development of the Company from the date the first policy was written, on November 10, 1875, and how early and fully this policy was appreciated by the public is indicated by a statement in the *Insurance World* of 1880 :—

That the subject of industrial insurance has been so much neglected in the light of its success elsewhere, is a source of considerable surprise. However, within the last couple of years the subject has received more

favorable attention. A few of the regular life companies have been pushing an industrial branch with a reasonable amount of success, whilst one company, *The Prudential, of Newark, has been making a specialty of this class of insurance, and by not endeavoring to do too much at once, but to cover thoroughly each field as it slowly extends its operations, bids fair in a few years to become a household word with our working classes.*

This prediction on the part of the *Insurance World* has been more than fulfilled during the later years of Prudential history, and it is not too much to say, without vanity or vainglorious pride, that the name of The Prudential and its motto, "The Prudential has the strength of Gibraltar," are to-day household words in America from Maine to California.

By 1880 the subject of Industrial insurance had attracted sufficient attention to receive special consideration in the annual report of the Massachusetts Insurance Commissioner. The Commissioner called the attention of the Legislature to the successful introduction of the system by several companies authorized to transact business in Massachusetts, stating that "Though somewhat experimental in its present stage of development in this country, its success has thus far exceeded all expectation. Being especially adapted to the poor and laboring classes, its material and timely relief, so promptly furnished in seasons of pressing need, is proving itself a welcome boon to multitudes of grateful beneficiaries." However, a weak point was referred to by the Commissioner, which, though fully provided for by the managers of The Prudential, seemed to require legislative action. In the words of the Commissioner, "The present laws of the State fail to provide a proper standard of reserve for this plan of insurance, a very large portion of its policies not coming within the rules of valuation applicable to other insurance." With this end in view, a bill to regulate the business had been introduced into the Legislature, but failed of passage; but, as far as The Prudential was concerned, it had from the beginning provided an adequate reserve for all its policies, and this practice has been rigorously adhered to up to the present time. One important point had been gained, however, and that was that by 1880, after a little more than four years of actual business operations on the part of The Prudential, the business had increased sufficiently in extent to be officially

recognized as a distinct branch of legitimate life-insurance practice. One other problem, however, had attracted the attention of the Insurance Commissioner, as a serious question confronting the Company, and that was the valuation of policies on the lives of persons under ten years of age. In a special report on the subject, the Deputy Commissioner of Insurance of Massachusetts, under date of August 30, 1880, stated that "In attempting to apply the provisions of the general insurance laws to the regulation of the business of Infant Prudential Insurance,* we are met at the outset with the fact that for the valuation of such policies no standard is either fixed or provided for, and therefore, so far as the general law is concerned, the inference might be that this form of policy is not recognized as a life-insurance contract, but the charters of the companies operating this plan of insurance empower them 'to do insurance upon lives' without reference to ages, and thus place beyond question the legitimacy of the business."

The value of this official reference to Industrial insurance lies in the fact that, according to the highest authority on insurance interests, the insurance of persons of young ages was fully as legitimate as the insurance of adults. The essential point involved was that the so-called infantile policies were policies on persons under the age of—say—thirteen, and no reserve was required, since the mortality at the younger ages diminishes constantly from age 0 until ages 13 to 15 are reached. After this age the

* The term "Infant Prudential Insurance" is a misnomer and equally misleading with another frequent expression, viz., "Child Life Insurance." There is no such business as "Child Insurance," *per se*, since not a single company confines its operations exclusively to the insurance of children, and the expression has no more justification than there would be in speaking of "Wife Insurance" because the companies, as part of their regular business, accept risks on women as well as on men. The term "Child Insurance" or "Child Insurance Companies" has of late years been frequently employed by opponents to this system of insurance, for the deliberate purpose of misleading the public into the belief that the Industrial companies make a specialty of, or confine their operations exclusively to, the insurance of children under the age of thirteen. As a matter of fact, the proportion of children insured with the large companies is practically identical with the normal proportion of persons under the age of thirteen in the United States. In The Prudential the proportion of deaths at ages one to fifteen, during the period 1891-'98, was 23.4 per cent. against a proportion of 26.9 per cent. for the city of New York.

mortality gradually increases to the oldest attainable age, and to adjust this factor in an equitable manner The Prudential from the beginning had followed the practice of the English Prudential Assurance Company, and had devised a table by which the premiums remained level while the amounts payable at death increased from age 1 to age 13, after which the amounts remained the same for life, subject in later years to increased benefits or dividends, or surrender-value privileges, as the case might be. To illustrate this point, I reproduce in full the first infantile table used in the United States by The Prudential Insurance Company of America :—

FIRST INFANTILE RATE TABLE USED BY THE PRUDENTIAL.

TABLE OF BENEFITS PAYABLE FOR 3 CENTS A WEEK.

NO HIGHER PREMIUM CAN BE TAKEN.

(Benefit payable if child dies after three months and within one year after policy has been issued.)

AGE LAST BIRTHDAY WHEN POLICY WAS ISSUED.												
BENEFITS PAYABLE IF CHILD DIES AFTER THE POLICY HAS BEEN ISSUED.	1	2	3	4	5	6	7	8	9	10	11	12
For 3 months,	\$10	\$11	\$12	\$13	\$14	\$15	\$18	\$21	\$25	\$33	\$45	\$60
" 1 year,	11	12	13	14	15	18	22	28	35	46	60	
" 2 years,	12	13	15	17	20	24	29	37	47	60		
" 3 "	14	16	18	21	25	30	38	48	60			
" 4 "	17	19	22	26	32	39	48	60				
" 5 "	20	23	27	32	40	49	60					
" 6 "	25	28	33	40	49	60						
" 7 "	30	34	40	50	60							
" 8 "	35	40	50	60								
" 9 "	40	50	60									
" 10 "	50	60										
" 11 "	60											

.This table, according to Mr. Dryden, in a statement made before the Massachusetts Legislature in 1895, was the only infantile table used by the Company for eight years, but at the expiration of that period it was found, "after carefully testing

the matter," that the laboring man needed more insurance for his children, and that higher premiums would have to be accepted to meet the needs and wants of the industrial masses; and with this end in view tables were prepared on which five- and ten-cent premiums were accepted, though the general plan and arrangement of the table were not changed, being the same in theory as well as in practice at the present day.

The entire subject of Industrial insurance, with special reference to valuations and reserves, was referred to a special committee of Insurance Commissioners, who in their report recommended that "for the purpose of computing reserves on policies issued at the ages under twelve years the valuations should be as for renewable term policies, no charge being made for reserve upon policies running on weekly or monthly premiums," and, further, that "policies issued upon the plan set forth for sums under \$500 of insurance shall not be held subject to the provisions of non-forfeiture acts, because of the almost infinitesimal amount of the benefit thereunder; or to such laws as require notice of the falling due of premiums to be sent to the policy-holder, as the frequency of these payments makes the labor and expense of such notices impracticable."

In consequence of these recommendations, by October, 1880, Industrial insurance had a recognized standing before the Insurance Commissioners of the different States, and a high sense of justice seems to have dictated the resolution that the many intricate problems resulting from the practice should be dealt with by the companies in their own way, in full confidence that the latter would deal equitably with their policy-holders, in the light of their own experience and in consequence of the increasing competition in the number of companies engaged in the business.

As the business was extended, its technical side naturally received increasing attention. From the beginning, serious attention had been given to one of the most important questions with which The Prudential has had to deal, and which even at the present time represents one of the most complex problems in Industrial insurance,—namely, the question of forfeiture of benefits on contracts which have been voluntarily surrendered by the insured. As has been stated, the Committee of the Insurance Commission Convention had recommended that Industrial policies should not be subject to non-forfeiture laws, since

the small amounts at risk would not warrant the application of non-forfeiture principles to Industrial policies; neither was there need for legislation on the subject, since the companies engaged in the business, acting on competent actuarial advice, had done what they could to prevent the lapsing of policies, first, by holding agents personally responsible for such lapses,* and, second, by giving to lapsed policy-holders not only a period of grace of four weeks, but every opportunity to revive lapsed policies without fines or other expense, and subject only to an examination or evidence of the health of the applicant at the time of reinstatement, to the effect that applicant was not an impaired risk. The Prudential, however, early recognized the need of energetic action in reference to lapsed policy-holders, and during the early part of 1880 issued a circular letter, which was sent to policy-holders in default or arrears for premiums:—

[FORM No. 146]

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

.....1880.

M.....

Polic No.....

This is to notify you that I called this day to collect your Premiums

now.....weeks in arrears.

Unless the same are paid when I call again, on.....next, the rules of the Company will compel me to lapse your Policy.

Very respectfully,

.....Agent.

* Agents are paid a commission for writing new insurances, but only in case an actual increase is made in the weekly collectible premiums. Thus, if an agent lapses two policies for, say, twenty cents of weekly premiums, and writes three new policies for thirty-five cents weekly premiums, he will be paid a commission on only fifteen cents of new premiums. By this method it is vitally to the interest of every agent to keep every policy in force, since every lapse represents a direct financial loss.

Should a policy have lapsed regardless of this notice of warning, a further notice was sent to the lapsed policy-holder, offering an opportunity for revival of the same without loss or cost to the insured, provided the same was in good health at the time application for revival was made :—

NEWARK,..... 1880.

I have to inform you that our Agent reports the premium on the above Polic as last paid for the..... day of..... 1880, and the Polic ha therefore been lapsed.

A lapsed Policy may be revived upon paying the premiums in arrears, and furnishing satisfactory evidence of the good health of the person upon whose life the Policy was issued.

Unless a lapsed Policy is so revived, all benefit under the same is forfeited. Should you wish to continue the insurance, please take this card and your Premium Receipt Book to the Agent (or bring them to this office), and pay the premium.

I remain, very truly yours,

JOHN F. DRYDEN,

Secretary.

It is thus quite clear that the Company made every reasonable effort to keep the insured from lapsing his policy, or, if such lapse had taken place, to induce the lapsed policy-holder to revive the policy by payment of arrears. It is easy, of course, to find fault with this perhaps somewhat crude arrangement, but it was the best that could be made at the time without placing in jeopardy the interests of persistent policy-holders, the consideration of whom must always outweigh that of those who, for some reason or other, default in their contract obligations.

What was true of the lapse question was equally true of the question of granting partial immediate benefits. On an Industrial policy only a single week's premium had been paid to secure the policy, and since, in view of this fact, a single five- or ten-cent premium made the Company responsible for a considerable sum, it had been at first the practice to deduct, in case of death, the unpaid part of the annual premium, computed on the basis of fifty-two weekly premiums payable during the year. This practice had not been satisfactory to the insured, and the general provision in adult policies was that, of the sum

insured for under the policy, no benefit should be payable if death occurred during the first three calendar months following the date of issue of the policy, one-fourth of the amount if death occurred after three calendar months and within six calendar months, one-half of the sum insured for was payable if death occurred after six calendar months and within one year, while the full amount of the policy was not due until the policy had been in force one complete year. This precaution was justified and made necessary by the fact that no medical examination was required on policies for sums of less than \$200, while only a superficial medical examination was required for sums above that amount. No doubt, in consequence of increasing competition, The Prudential found it necessary, during January, 1880, to change this plan and grant immediate benefit for one-half the amount stated on the face of the policy :—

NEWARK, N. J., January 23, 1880.

Dear Sir :—By virtue of a resolution this day passed by the Board of Directors, all Adult Policies hereafter issued by this Company will be placed in *immediate benefit* for one-half the amount stated on the face of the Policy.

All Infantile Policies will also be put into immediate benefit from day of issue, instead of at the expiration of three months as heretofore.

You are authorized to inform the members in your Agency that the Company will, without expense to the insured, if desired, issue a new policy containing the stipulation above set forth, upon the policy being forwarded to this office for cancellation.

If the member prefers to retain the policy already issued, the Company will treat Adult Policies as in one-third benefit for the first six months and two-thirds benefit the last six months of the first year.

Infantile Policies already issued will also be treated as in immediate benefit.

I trust this action of the Board of Directors will be another evidence to you that THE PRUDENTIAL, while it is determined to take no hazardous step, will strive to deal with its members in a spirit of the utmost liberality consistent with safety.

JOHN F. DRYDEN,

Secretary.

This concession to the policy-holders was doubtless prompted by the increasing competition and consequent excessive rivalry among the agents. The business was new and, as regards adverse selection, much had yet to be learned. For a time the more

liberal benefit provisions prevailed, but subsequent experience proved that a somewhat more restrictive policy was necessary for the protection of the Company and its policy-holders.

Partly in response to increasing competition, largely because of an increasing demand, The Prudential in 1880 commenced the issue of a new form of Industrial policy for the round sum of \$500, with premiums differently adjusted, but payable on the weekly plan. A copy of this table is given below, together with the explanatory statement that, in case of death during the first policy year, one-half of the amount was payable, while the full amount was payable after the policy had been in force a complete year :—

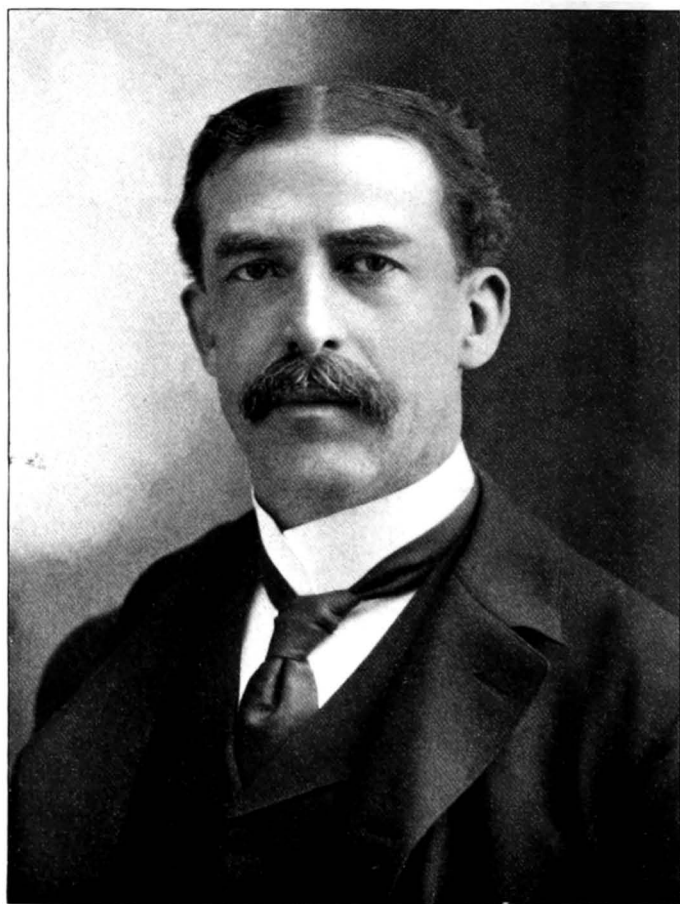
FIVE-HUNDRED-DOLLAR ADULT POLICY OF THE PRUDENTIAL
INSURANCE COMPANY OF AMERICA.

AGE NEXT BIRTHDAY.	WEEKLY PREMIUMS.	AGE NEXT BIRTHDAY.	WEEKLY PREMIUMS.
20	\$0.24	43	\$0.50
21	.25	44	.52
22	.26	45	.55
23	.26	46	.57
24	.27	47	.60
25	.28	48	.62
26	.28	49	.65
27	.29	50	.68
28	.30	51	.70
29	.31	52	.74
30	.32	53	.77
31	.33	54	.80
32	.34	55	.84
33	.35	56	.88
34	.36	57	.92
35	.37	58	.96
36	.38	59	1.01
37	.40	60	1.08
38	.41	61	1.15
39	.42	62	1.22
40	.44	63	1.28
41	.46	64	1.35
42	.48	65	1.47

One-half benefit first year and full benefit after one year.

NOAH F. BLANCHARD,
President.

JOHN F. DRYDEN,
Secretary.



Edgar B. Ward

This table was a decided boon for employees or wage-earners of a higher grade, engaged in remunerative industrial occupations, since it made possible insurance on the plan of weekly payments, combined with the collection of the premium from the house of the insured, for sums as high as \$1,000, for men who, on account of their occupation or for other reasons, were not likely to obtain insurance with Ordinary companies. It was also the first step in the direction of what in later years became known as Industrial-Ordinary insurance. It was a first step in that slow and difficult process of insurance education of the masses, through the medium and methods of Industrial insurance.

With the growth of the business, the legal aspect of Industrial insurance, the relation of the Company to its policy-holders, the opportunities for misunderstanding and misconstruction of policy terms, as well as the occasional instances of fraudulent practices on the part of agents and policy-holders, made it necessary that the law department of the Company should be reorganized on a more satisfactory basis, and accordingly Mr. Edgar B. Ward, since 1875 a Director and since 1876 the Attorney of the Company, was this year, under date of February 9th, elected Counsel and, subsequently, Second Vice-President. It is largely due to Mr. Ward's efforts that the Company has had few legal difficulties, few contested claims and practically no important lawsuits. As a member of the Finance Committee Mr. Ward has given much of his time and devoted much of his ability to the investments of the Company during the past twenty years, and the financial interests of The Prudential have been so ably protected that no life company can boast of a better record of safe and remunerative investments than The Prudential Insurance Company of America. The Company's proud claim to "The Strength of Gibraltar" has its foundation in the conservative manner in which its finances have been managed, and it is but proper that full credit should be given to Mr. Edgar B. Ward, as one of the founders of Industrial insurance in America.

The question of life insurance for children for small sums sufficient to pay the funeral expenses, and to provide for the cost of the last illness, received public consideration this year not only in the insurance press, but in many of the newspapers of the

period.* I can not do better than quote from the *Weekly Underwriter* of July 24, 1880, an article on this subject of exceptional interest :—

We have noticed recently, in several journals, an implied doubt of the propriety of permitting the practice of that part of industrial life insurance which deals with the infantile population, and a case is cited, in Baltimore we believe, where there were suspicions of infanticide in connection with the death of a child insured in one of these companies. Experience makes sad work of our theories sometimes, and *the theory that murder will be committed on helpless babes for the small sums for which they are insured has no basis of fact to sustain it.*

We might fairly go further, and say that aside from the facts there is no reason to believe that the natural love of parent for child, which beats as strongly under the coarser vest as under the costliest, can be stifled and changed to a criminal action for a sum of money which, at best, merely provides a decent funeral for the dead child.

It must be understood that industrial policies average less than one hundred dollars and that in the case of infants, or children under four years, they do not exceed one-fifth of that sum, and that they are guarded against criminal intent in their inception by very materially limiting the benefits under them, for a number of months. The parents who would murder a child for the insurance would murder it to avoid the burden of supporting it, the lifting of which would prove a far greater relief than the receipt of ten or fifteen dollars of insurance money. Opinions, however,

* An earlier attack on the practice of insuring the lives of young children had been made in the Trenton *True American* under date of March 26, 1878, on the basis of an article in the *Pall Mall Gazette* in which charges of child murder and neglect for insurance money had been made in the usual manner without evidence or instances of authenticated facts. In commenting on the article the *True American* said :—

“Such a paragraph as this almost destroys one’s faith in human nature. It is difficult to conceive the deep depravity to which the facts commented upon bear witness. But since it does exist, it seems to us that the Courts should prevent its accomplishing its purpose by holding all policies of insurance obtained by parents on the lives of their children invalid, as against good morals and public policy. It is not only the inducement which inhuman parents, devoid even of that instinct which leads the brute creation to care for its young, find in insurance on their children to ill-treat them or put them out of the way, but it is the tendency to cause them to neglect their children in their sickness, and, moreover, the demoralizing effect produced by parents speculating on the lives of their children. *The insurance of children by parents is a reversal of the entire object of life insurance, it ought to be forbidden by law, and the Courts should stamp it out as a dangerous incentive to crime.*” (Trenton *True American*, March 26, 1878.)

are of very little use in the presence of statistics, and, fortunately, we are not compelled to rely upon opinion in this case.

This same charge was brought against the business by the Friendly Societies Commissioners in England, who, commenting on the report of a select committee of the House of Commons, state they "can not agree with the opinion expressed by the House of Commons committee, that the instances of child murder with a view of obtaining money from a burial society are very few." The Committee of Management of the Royal Liver Friendly Society, one of the largest of these societies—we believe with the exception of the Prudential the largest—immediately on becoming aware of these opinions expressed by the commissioners, resolved to make a complete investigation of their experience, which was done under the direction of Mr. Sprague, the eminent English actuary. His report, made in 1875, is before us with the figures, giving that society's experience, the observations covering 122,696 lives. His deduction from the figures is:—

"An examination of these figures proves conclusively that the suspicions of the commissioners are unfounded as regards the children insured with the Royal Liver Society. If any appreciable number of such children, residing, for example, in Liverpool, were destroyed by their parents or other persons in charge of them, for the sake of obtaining the insurance money, it is clear that the mortality among the children whose lives were insured in the Liverpool district would exceed that among the children belonging to the general population of Liverpool. But instead of this the exact contrary is the case. *The rate of mortality among the insured children is very greatly less.*"

Mr. Sprague's testimony, or rather the testimony of his figures, does not stand alone. Any person who reads the history of the Prudential Assurance Company can not accuse its manager, Mr. Henry Harben, of carelessness in arriving at conclusions. Every step in the progress of that company has been marked by the most painstaking care and the most laborious study. In recording its experiences on infant lives, Mr. Harben says:—

"The records of the policies issued under this table have been most carefully observed, and while the numbers of lives admitted are counted by millions, the experience of the company completely negatives the idea that malfeasance generally is practiced, for in the twenty years during which the practice of infantile assurance has been carried on, no such case has been known to have occurred, and only two in which the circumstances were of a distinctly suspicious character."

This would seem to close the case as far as the business in Great Britain is concerned. It may fairly be presumed that the companies engaged in industrial insurance in the United States have given this subject some thought before engaging in it. Certainly, all the arguments for the views of those who consider infantile insurance provocative of murder are stronger in England than in the United States. Among our population children are not felt to be the burden they are in more crowded communities. We have not yet arrived, as England has, at a point where

a restriction of the birth-rate is discussed as a question of moment. Opportunities for parents to become proud of their children are more plentiful here than in Europe.

If, then, we find as an actual fact that no such calamity as child murder follows infantile insurance among the crowded and squalid population of London and Liverpool and Birmingham, there is little reason to apprehend it in New York or Boston or Philadelphia; and no cause for doubting the wisdom of a scheme which promises the benefits of life insurance in small quantities to those who are unable to buy in large quantities.

This plain statement of the merits of the case in the *Weekly Underwriter* is deserving of the most serious consideration on the part of those who would find fault with the practice of Industrial insurance companies in accepting risks on the lives of young children for small amounts.

The Prudential had, from the beginning, carefully observed the local conditions affecting the business, with special reference to that part or branch which concerned the insurance of children at young ages, and by 1880 it was demonstrated, by the vital statistics of the city of Newark, that instead of there having been an increase in the mortality of children since the commencement of Industrial insurance, there had actually been a material decrease, so much so that, while the number of deaths at ages one to nine, inclusive, had been 1,058 during 1876, there had been 934 deaths during 1877, 722 deaths during 1878, 618 deaths during 1879, and only 520 deaths during 1880. This was in a city where The Prudential had transacted the larger part of its business, and where a considerable number of children over the age of one had been insured. From that day to this the mortality of children, not only in the city of Newark, but in all the cities in the State of New Jersey where Industrial insurance is transacted, has materially decreased. It certainly stands to reason that if the insurance of children had exerted an unfavorable influence on the duration of child life this considerable decrease in the mortality would have been impossible in a State where, at the present time, the larger portion of the child population is insured in Industrial companies. The subject has received further attention during later years, and will be referred to again in its proper place.

By slow degrees the opinion of the insurance journals and intelligent public opinion in general changed to a uniform approval of the system of Industrial insurance. It was becoming apparent that the new form of life insurance was unlikely to prove

a dangerous element as regards the mortality of children, or an undesirable factor in competition with Ordinary companies, but rather, to the contrary, it was evident that the general diffusion of insurance knowledge and principles among the masses was likely to increase very materially the general demand for life insurance on the Ordinary plan. A very clear and comprehensive view of the matter is to be found in an article in the *Insurance Times* for March, 1880, from which I quote :—

In this way a poor man may provide an adequate burial fund for a member of his family, which the companies agree to pay almost at once. They have a paid-up capital, and an accumulated surplus, giving security to every one. How widely such companies differ from the loose co-operative companies, will be evident to the most casual observer. *The Prudential complies with the law, makes a lawful contract, and engages to fulfill its contract according to law. It has capital to fall back upon, and voluntarily submits to all the conditions which the law imposes.* On the other hand, the co-operative companies are a law unto themselves, and they submit to no other law. They have no legal contract to bind them; and if they please to pay, they pay; and if they do not please to pay, they keep the funds that have been committed to them. Any Prudential company is better than such rotten associations as these. *Happy will it be for the States if the Prudential companies should drive the co-operative companies out of the country.*

How far the Industrial insurance companies succeeded in counteracting the evil of the increasing number of assessment insurance societies, it is as yet too difficult to state, for, not only are the statistics of fraternal insurance incomplete and largely misleading, but the subtle evil which underlies these institutions has become too widely disseminated to become easily eradicated. It may with perfect truth be stated of those who originated and promoted the thousands of so-called fraternal or mutual-benefit aid societies, as Dr. Hodgkin once said of certain English Friendly Societies in a little volume on "Health," published in 1841, that "whilst none but an accomplished mathematician would think of producing an almanac in which astronomical predictions should be given, almost any set of men, who withdraw from the tap-room to the comparatively quiet parlour of an inn, seem to think themselves qualified, with the assistance of the landlord's arithmetic, to devise the plan of a Benefit Society." It is the plain truth that the majority of benefit societies or secret orders containing in their charters an insurance provision, or aiming at the transaction of an insurance business, have been founded

by men ignorant of, or indifferent to, the principles of life insurance, the elements of finance and the law of human mortality on which the business is founded.

However much Industrial insurance, as practiced by The Prudential, may have fallen short in meeting the needs and wants of the industrial population, it has at least accomplished one of the principal objects for which it was organized: it has paid the claims which have matured, and the companies will always be able to meet their obligations, founded, as they are, on scientifically constructed tables of mortality and finance. No Industrial insurance company in this country has ever failed and none is ever likely to fail, except on account of possible dishonesty, which must be taken into account in all financial operations; but the companies can never fail on account of inherent weakness, false principles, or erroneous practice, in view of the soundness of the basis on which the business rests.

I have previously pointed out that by November, 1879, the Metropolitan Life Insurance Company of New York had also commenced the transaction of Industrial insurance. Contrary to the course followed by The Prudential, the Metropolitan imported a large number of superintendents, assistants and agents from England, and at once extended its operations over a large number of the States, making possible the more rapid extension of the business, which gave the company a lead which it has maintained up to the present time. The Metropolitan had for many years transacted an Ordinary business, had a large capital, a well-equipped office force and local offices in many parts of the country, enabling it, with the assistance of a large number of men experienced in the Industrial business, to at once take the position of numerical leadership, which it has successfully maintained for the past twenty years.

During the year 1880 The Prudential had continued to make considerable progress, and by December 31, 1880, there were 87,462 policies in force for the sum of \$7,347,892. Of this sum the larger proportion was confined to the State of New Jersey, the operations in New York and Pennsylvania being as yet very limited in extent. The results obtained were satisfactory to the Company, which even at this early date followed its maxim—to be satisfied with an improvement from year to year of its own previous record.

CHAPTER IX.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, 1881-1884.

During the early stages of all commercial development, excessive and often unfair competition is inevitable. Men anxious to succeed in any given direction, partly ignorant of the means and largely ignorant of attainable results, will ever and again fall short, and give undue weight to factors and elements of least importance, and but small attention to factors and elements of most importance. Nations, as well as individuals and corporations, will enter into war with each other, which, but for a saving remnant of common sense, would often prove mutually destructive. With a field open to all, and with boundless opportunities, men and companies, during the early days of Industrial insurance, struggled more against each other than they struggled for the essential interests of each and all, Industrial insurance companies, no more than Ordinary insurance companies or fraternal societies, or business enterprises of any kind; but it is something considerably to the credit of The Prudential that, from the first, it never concerned itself with the success or efforts of other companies, being satisfied to attain its own place in the business world in its own way. In the beginning it discouraged agents from methods of unfair competition, from making attacks on other companies and other methods of insurance, and to this policy it has remained faithful up to the present time. For a number of years, however, the Company was drawn into the vortex of a competitive struggle, which did not come to an end until about 1884.

As an evidence of the increasing local approval of the Company and its methods, I quote the following extract from the *Sunday Call* of December 18, 1881:—

To say anything in this city in praise of The Prudential Insurance Company, whose office is at No. 215 Market street, is like "carrying coals to Newcastle."

Everybody in Newark knows this company and knows its honorable record. It has paid so many claims here that it would probably be difficult to find a person in our industrial population who has not had come under his own personal observation the benefits derived from insuring in this company. Who is there in Newark who does not know of a relative or a friend whose necessities have not thus been relieved in that saddest of all hours, when the dark shadow of death enters the door? It is no wonder that the company has such a marvellous hold upon the confidence and good-will of our people.

With more than 35,000 policies in force upon the lives of persons in Newark, who pay their premiums weekly to the agents of The Prudential with the regularity of clockwork, that company will continue to exercise a powerful influence over the social well-being of our people. Besides its fair record The Prudential has the prestige of being the first to introduce into this country the present and only plan of industrial insurance, which has proven a permanent success. In addition to this the company is sound, and is managed with tact, prudence, and in a spirit of fairness that makes the interests of its policy-holders safe.

And, as further evidence of the increasing influence of the Company beyond the large cities of the State, I give an extract from the Metuchen *Inquirer* of October 20, 1881, as follows :—

The plan of insurance offered by The Prudential Insurance Company places insurance within the reach of all, rich or poor. For years the poor man was shut out completely from the benefits of life insurance. The establishment of The Prudential Insurance Company, of Newark, N. J., *arose entirely from the necessity of giving the poor man some means of providing for those from whom death would separate him, and at a slight cost, payable in instalments, so arranged as to fall due weekly, and at a rate which brings the desired benefits within the reach of all, no matter how poor the man may be, who wishes to make such provision for the future. The company, by always paying the claims brought against it, has won the entire confidence of the public. No man can hesitate a moment to secure the means of providing a decent burial for himself or of a member of his family, or of leaving behind him means of supporting his dear ones, at so trifling a cost. Men, women and children, even infants of one year of age, can be insured in this model organization, and the weekly payments required are so small that any one can afford to pay them. Thousands take this means of securing themselves from receiving a pauper funeral.*

It, however, was not only from the local press that Industrial insurance received unqualified endorsement. Among others, the Superintendent of Insurance of the State of New York referred to the subject in his annual report for 1881 in the following manner :—

This class of insurance is somewhat new, and is yet an experiment in this country, but thus far it seems to meet with success which promises

well for its future growth and prosperity. Its scope and plan involve insurance on the lives of laboring men and their families for small sums ranging from a few dollars upwards, and the payment of premiums in weekly sums of a few cents. Success in this branch of business is only attainable by the issuance of a vast number of policies and their diffusion in the large cities among the masses of people. One company in New York, the Metropolitan, has issued, during the past year, more than two hundred thousand of these policies. As the ability of the class of people who take these policies depends entirely upon their steady employment, and upon their habits of prudence and economy, there are, naturally, numerous lapses, a number for which the average of the ordinary business is no proper criterion. The companies which appear to be successfully prosecuting this class of business have uniformly afforded every facility possible to enable the lapsed policies to be renewed again upon just and equitable terms, and, so far, there have been no complaints of policy-holders in that direction. But such companies may not always be in the hands of men who will be governed by these honorable principles, and the protection to which their policy-holders are equitably entitled should be made a matter of legal regulation. The law under which these companies act is the general life insurance law of the State. While this law does not prohibit the issuance of such policies, or the payment of premiums in these weekly sums, it is not believed that such a system was contemplated when the law was passed. It seems, therefore, that some provision should be adopted prescribing more particular regulations and requirements to this class of business.

The superintendent seems to have fully recognized the merits of the business, while at the same time conscious of technical difficulties, one of which, the question of reserves, has been previously dealt with. On the question of lapses he pointed out that forfeitures in Industrial insurance could not be compared with forfeitures in Ordinary insurance, for, as a moment's consideration will show, the policy-holder in an Ordinary company has, at the most, four chances to lapse his policy during the year, while the Industrial policy-holder has fifty-two chances to cancel his policy for some cause or other, and, again, while the policy-holder in an Ordinary company has usually paid at least one quarter's premium of some material consequence, the Industrial policy-holder will, in most cases, have paid nothing at all, or but a few dimes, for which he will have received from six to eight weeks of insurance protection. There was, however, no need for special legislation on the subject, for, as was well said by the *Weekly Underwriter*, "It does not follow, as a political axiom, that because a particular business has not been legislated upon, therefore legislation is needed. There are a great many enterprises

that succeed very well without special legislation, and Industrial insurance is fully as likely to succeed without legislation as with it."

On one point, however, considerable difficulty was experienced on the part of The Prudential in entering the State of New York. It would seem that the authority of the Company to do business in the State of New York had not been renewed for 1881, and that the Company had made no application for a license that year. In the *Spectator* for April, 1881, however, there is an article which would indicate the difficulty, in that it was purely a question of license fee which The Prudential's New York representative ought to pay. In the words of the *Spectator* :—

The laws of New York and New Jersey are reciprocal in effect. Industrial insurance is especially peculiar in the numerous solicitors required to conduct it successfully, each agent, as compared with Ordinary life-insurance representatives, handling a very small amount of money. And here is where the difficulty arose when the Company first entered the State. The Insurance Department at length determined, under recommendation of the Attorney-General, to construe Industrial superintendents and assistant superintendents of The Prudential in New York as corresponding with Ordinary life-insurance agents, and under the New Jersey law charged them \$22 each for the State license fee. The New Jersey Legislature, at its last session, amended the license law by providing that agents and solicitors of Industrial companies should be taxed \$2 each. Of course, this had a corresponding effect upon The Prudential's licenses in New York. But the New York Department goes further, and disregarding its previous decision, claims that \$22 should be paid by each of the Company's solicitors for last year. The Prudential, of course, feels aggrieved, and is looking towards a more equitable arrangement that shall recognize a difference between its small army of solicitors and its superintendents of districts. The latter it is willing to pay for at the rate of \$22 each, but to pay that sum for each solicitor would be a high price to pay for the privilege of doing business in the State. The Company has a large and growing business in New York, and will doubtless renew its power to continue business in any event.

The point involved was a most serious one, since excessive license fees would very largely increase the expense-rate of the Company. The matter however was equitably adjusted and the Company resumed business.

From the very beginning, as I have had more than one occasion to point out, the managers of The Prudential had given thoughtful consideration to the large number of technical questions and problems which were constantly pressing for solution.

Reference has been made to the question of reserves, to the question of immediate benefit, to the insurance of children, to the surrender value of policies, etc., but during the early part of 1881 a new problem presented itself, which the Company dealt with, as in all other matters, solely on the basis of facts as they were available for the purpose of aiding the Company in arriving at an equitable decision. Thus far negroes had not been seriously considered as applicants for Industrial insurance, but with the increasing extent of the business the colored population had also become considerably interested in the subject, and was now in increasing numbers availing itself of this opportunity to provide for the contingencies of life. Careful investigations, including the Company's own experience, and data collected for a large number of American cities, pointed to an excessive mortality among this element of the population, so much so that it became apparent that unless the Company adopted a restrictive course it would soon find itself in difficulties because of inordinate losses experienced on this class of policy-holders. Under date of March 10th, therefore, the Company issued a circular to superintendents and agents on the subject of colored risks, of which the following is a copy :—

NEWARK, N. J., March 10, 1881.

TO SUPERINTENDENTS AND AGENTS.

The following changes will be made with respect to colored persons (Negroes), applying for assurance in this Company, under policies issued on and after the week commencing Monday, March 28, 1881. (This applies to all APPLICATIONS taken during the week commencing Monday, March 21st.)

1. Under Adult Policies the sum assured will be ONE-THIRD less than now granted for the same weekly premium.

2. Under Infantile Policies the amount assured will be the same as now, but the weekly premium will be increased to FIVE CENTS.

These changes are made in consequence of the excessive mortality prevailing in the class above named; they do not apply to other persons. Policies issued prior to March 28th will not be affected by this regulation.

Rate tables for use with Colored Applicants will be duly sent you.

Agents using Infantile Applications in which the question of "Race" is not asked, should write on the lower margin on the back of the application the word "white" or "colored" as the case may be—unless this is done the application will be returned for correction.

JOHN F. DRYDEN,
Secretary.

The following is an abbreviated copy of the first rate table used for colored adult applications :—

ADULT RATE TABLE FOR COLORED RISKS.

FIRST USED APRIL 4, 1881.

WEEKLY PREMIUMS.				
AGES.	FIVE CENTS.	TEN CENTS.	TWENTY-FIVE CENTS.	FIFTY CENTS.
13	\$78 00			
15	76 00			
20	68 00	\$136 00		
25	60 00	120 00	\$300 00	
30	52 00	104 00	260 00	
35	45 00	90 00	225 00	
40	37 00	74 00	185 00	
45	30 00	60 00	150 00	\$300 00
50	24 00	48 00	120 00	240 00
55	19 00	38 00	95 00	190 00
60		30 00	75 00	150 00
65		22 00	55 00	
70			40 00	

This action on the part of The Prudential was fully justified by the available statistical information on the subject. Reference to any health' report of a Southern or Northern city covering the years 1880-1881 will clearly prove that the general death-rate of the colored population was about 50 per cent. in excess of the death-rate of the white population.

Thus, for instance, according to the health report for Savannah, Ga., the average annual death-rate of the white population was 38.6 per 1,000, while for the colored population the rate was 51.7 per 1,000. For New Orleans the white rate had been 31.3 per 1,000, against the colored rate of 40.2 per 1,000. For Mobile the white rate had been 24.6 per 1,000, against the colored rate of 39.7 per 1,000, and this difference in the mortality rate of the two races held true for all the other cities for which information was available. In view of these facts, taken in connection with the actual experience of the Company, the action of The Prudential was not only justified, but necessary for its own safety and in equity to the white policy-holders, who as a class are subject to a mortality less than two-thirds as high as the rate prevailing among

the colored population. The position assumed was, therefore, justified by the available facts, and the Company has not receded from this course, although, under laws since passed, life-insurance companies are now compelled in most of the States to grant equal benefits for the same premiums to both races, in defiance of the laws of mortality and ordinary business conduct. Since that date a large amount of information on the subject of negro mortality has been collected, but no subsequent investigation has proven that the Company's position in the matter was erroneous or unjustified or overcautious, and, while the Company at the present time accepts applications from negroes and issues policies without rating, it does not solicit this class of risks, and has, therefore, comparatively few colored persons as policy-holders on its books.*

The question of expenses in conducting the business of Industrial insurance received due consideration, especially in the insurance journals of the period, largely in consequence of a suit of the British Prudential against the Western Provident, referred to at considerable length in the *Insurance Monitor* under date of September, 1881. During the trial of the case some very interesting evidence relative to the Industrial expense-rate was brought out in the examination of Mr. Arthur H. Bailey, the well-known actuary, who testified that *the lapsed policies were a serious financial loss* to the Industrial companies, the more so in view of the fact that, since "profit which the companies might have expected to make from the premiums payable in succeeding years would, of course, be lost in case of the lapse of the policy." In further explanation of this interesting point in life-insurance practice, I quote from the *Spectator* of September 1, 1881, a contribution evidently from the pen of Mr. Dryden :—

There has, at one time or another, been a great deal of nonsense said about The Prudential and its system of insurance, by those who do not understand it. Nobody can suppose that a policy for \$50, upon which premiums have to be collected at the member's house fifty-two times a year, can be taken care of at as low a rate of expense as a policy for \$5,000, upon which the premium is payable but once annually, and that in advance. In

* For a full discussion of the entire subject of negro mortality, see the writer's work on "The Race Traits and Tendencies of the American Negro," Macmillan & Co., New York, 1896.

every branch of business the small buyer pays higher for his goods than the large one. It is an inevitable result of the laws of trade and commerce. Nevertheless, the poor man must buy in small quantities or he can not buy at all. The question is, Shall he be enabled to buy in such quantities as his limited means permit? Some years since, Henry Harben, the then Secretary of the [British] Prudential, read a paper upon his company before the Institute of Actuaries. At its close this very phase of the company's business came up. Such eminent actuaries as Messrs. Brown, Bailey, Walford, Sprague and others participated in the discussion, and there seemed to be no dissent from the views uttered by some of them, *that the expense was entirely proper*, was inseparable from the business, and that if the laboring man wanted exceptional privileges he must expect to pay for them. This is the true and sensible view to be taken of this matter.

The suggestion of *The Indicator*, that insurance should be established and carried on by the co-operation of employers, has been again and again tried and proved a failure. No success can be obtained except through the aid of a well-organized and systematized agency department. The men employed for this work must be paid. Some years ago The Prudential made the experiment, in one of our large districts, of offering a rebate to those of its members who would go to the office and pay their premiums. The experiment was a failure and had to be abandoned. The effort of the government to introduce insurance among the working classes in England utterly failed. Managers of a company like The Prudential have every inducement to keep the expenses down to the lowest point possible, and we think it fair to assume they do so. We believe the Prudential has been an inestimable blessing to the workingmen of England, and that the companies engaged in the same line of business here will prove of like advantage to our people.

J. F. D.

The position taken by Mr. Dryden may be summed up in the statement that "the expense was entirely proper and inseparable from the business," in view of the fact that the premiums had to be collected from the house of the insured, that the necessary supervision and auditing of amounts required a much larger amount of clerical labor, and that the general methods of conducting the business differed widely from the methods prevailing in Ordinary insurance, where each transaction required less labor and was subject to less expense than was the case in Industrial insurance.

However much may be said on the question of expense, it is one which has never hindered the development of the business, it is one which has been subject to considerable modification, and which will undoubtedly be materially improved upon in the course

of the years, as the business becomes older and the agency staff becomes more permanent.

It must be plain to any one familiar with the history of industrial progress, that a new business experiment like Industrial insurance was not likely to escape bitter antagonism and some decided opposition. Naturally, dissatisfied policy-holders and especially dissatisfied agents, as well as others opposed to the extension of Industrial insurance principles, were only too ready to supply newspapers with information or expressions of opinion adverse to the business, and among the first to give space to an open attack, with special reference to the lapse and expense-rates, was the Philadelphia *Sunday Times*, which, under date of June 26, 1881, contained a lengthy discussion of some phases of Industrial insurance, which were ably answered in an article in the *Weekly Underwriter* of September 17, 1881, as follows:—

Whether or not so-called "*Industrial*" insurance will secure a permanent foothold in the United States we regard as not yet settled, but we should be very sorry if, through the intemperate advocacy of its friends, or the ignorant assaults of its opponents, it failed to have its chance of success. We have contented ourselves with noting its progress, from time to time, with not sufficient knowledge of its internal workings to venture to pronounce a verdict upon it. But there are others, with even less knowledge than we possess, who are not so reticent. One of our daily exchanges has condemned it for its expenses, and the companies practicing it for the gains made from lapses—or, in other words, for the sums taken from poor people, who get only a few weeks or months of temporary insurance for their money. The mistake must not be made of measuring the business in these two respects by the conditions which attach to ordinary life insurance. Industrial premiums are very properly loaded much heavier, and a business of thirty per cent. loading is no criterion for one of one hundred per cent. Nor are the lapses of a business among merchants, lawyers, ministers, etc., a proper standard for lapses among working people subject to every rise and fall of trade and everything affecting day wages. *As a matter of fact, the lapses in this business are far more likely to ruin the companies than the assured, and the enormous expenses are inseparable from a business which consists of house-to-house collection of nickels, and which is being rapidly extended.* Our own fear has been, not that the poor people who pay the nickels would suffer, but that the companies engaged in an endeavor to collect them would endanger their capital. *Every policy that lapses must be a loss to the company, and with an industrial class as shifting as is our own there must be many lapses.* The problem for the underwriter who will be successful in industrial insurance is, it seems to us, to secure persistence in paying by the assured. That done, the way is easy. But a company only retaining at the close of the

year a little more than one-half of the business of the year, can not be said to have solved it. Yet the Prudential of London, with eight millions of annual income, ample accumulations and a sufficient surplus, represents, in its five millions of present members, but one policy-holder retained for every *three* that have lapsed. Either the machinery is defective or there may be, in the nature of the people or their business, something which will necessitate still larger premiums than are now charged. If the trouble is in the machinery, the managers now in charge of the business will remedy it without unnecessary delay; if it is in the people, they will probably sacrifice some capital before it is remedied. At any rate, we believe in giving them a fair chance to work out their problem, undeterred by fulsome flattery or ignorant criticism. *The result is worth attaining, and we have no doubt the means to attain it will be found.*

There is in this article the same clear conception of the business as brought out in Mr. Dryden's letter on the same subject in the *Spectator* of September 1st. I have given space to these expressions of opinion on the part of qualified writers so as to bring out as clearly as possible the views of the companies engaged in the business. On the question of lapses the last word has not as yet been said, and, in fact, few arguments worthy of the name have found their way into public prints outside of the insurance publications. A moment's reflection will make it clear that many of the millions of so-called insurance represent only a bookkeeper's statement of business on which little or nothing had been paid, and, rather than being a gain to the company, indicate a serious loss and a material hindrance to the largest possible development of Industrial insurance.

By December 31, 1881, The Prudential had increased its business to 133,582 policies for the aggregate sum of \$10,959,948. The four companies now transacting the business had, in the aggregate, 367,473 policies in force. One company, the Provident Savings, discontinued the writing of new Industrial business during the year, and no longer makes returns in its annual reports of the Industrial business in force. Of the total business of The Prudential 56.5 per cent. was in force in the State of New Jersey, 24.0 per cent. in the State of New York, while 19.5 per cent. was in force in other States, largely in Pennsylvania.

Referring to the extension of the business of The Prudential to the city of Paterson, the Paterson *Press* of April 22, 1882, expressed itself emphatically on the subject of Industrial insurance, and concluded an article of a column and a half as follows:

" We strongly recommend recourse to this excellent system of insurance by every person of moderate means, for with such a plan there is really no excuse for any person not maintaining his independence; providing out of his own resources for a proper interment at death, for the payment of debts he may owe, for leaving to his survivors something to take the place at least temporarily of a productive life, for defraying those expenses which attend sickness and death of any member of the family—expenses which, at one time or another, are absolutely certain to come to all." In the words of the Trenton *True American*, "The press in all the principal cities of this country" were "emphatic in their commendation of the plan."

Among other elements of the population the Germans had, from the beginning, been extensive patrons of Industrial insurance; naturally of a thrifty disposition, they had readily availed themselves of this form of providing for contingencies, and, in response to a distinct demand, The Prudential, as far back as 1876, had issued special explanations in German, and supplied its agents with applications in the German language, tending to make the aims and objects of Industrial insurance more easily understood. Hence the attitude of the German press, in a manner most critical of all social institutions and forms of saving and investment of non-German origin, seems of sufficient interest to warrant a quotation from the Carlstadt *Freie Presse*, under date of July 1, 1882, in a free translation as follows:—

We have an overabundance of all sorts of sick-relief and aid associations, but neither one form nor another offers that degree of absolute security which is necessary for the working population in case of need. The confidence of the public in these forms of co-operative or fraternal associations, in consequence of the bitter experience in our own village, has been so shaken and disturbed that we welcome the work of a company like The Prudential, which does away with the most serious objections made against the former type of burial or sickness associations.

Naturally, such emphatic approval as this, founded on substantial reasons, must needs have done much to influence the German population in becoming, in increasing numbers, the patrons of the Industrial system of The Prudential, and at the present time the Germans stand third in rank of nationalities which patronize the Industrial business of The Prudential.

That public approval was not confined to the secular press is illustrated by the following extract from *Our Church Paper*, devoted to Christian interests as viewed by the Congregationalists of Newark, in its issue for April, 1882 :—

The Prudential Insurance Company, of this city, has had a history in some respects phenomenal. The Company is only six years old, yet it has issued over 300,000 policies and paid more than 4,000 death claims. It issues burial-fund policies upon the weekly-premium plan, the premiums being collected weekly by agents, at the residences of the assured. *This institution is not organized as a benevolent society, but it would be hard to find an association doing a work of greater good.*

And in the same publication, under date of May, 1882, occurred a further endorsement of the plan of The Prudential, which also seems worthy of a place in this summary of public opinion on the work of The Prudential at this early period of its history :—

If ever a company was started which deserved the sympathy and co-operation especially of the working classes, it is The Prudential. Almost alone, with a reasonable prospect of success, has it undertaken the solution of the great insurance problem of the day, how to provide a life-insurance company for those of moderate means which shall be deserving of the name. In the face of obstacles of no ordinary character, it has made astounding progress and secured a magnificent clientage.

The concensus of public opinion was, however, most clearly expressed in a quotation in the *Newark Register* of January, 1882, namely, that "*The Prudential Insurance Company, of Newark, is emphatically the poor man's best and most reliable friend.*"

New problems and questions of practice were constantly arising which demanded the most careful consideration. The business was new, and much was expected of it which was not warranted by the plain policy contract between the insured and the companies. The notion still remained with many that life insurance was more of a charity than a business, and many writers on the subject of insurance still speak of it as a benevolence, when it is purely a matter of contract and of business. Fortunately, as I have had occasion to point out more than once, Mr. Dryden had early recognized the practical difficulties and dealt with them in a manner satisfactory to the policy-holders. Mr. Noah F. Blanchard, who had been President of The Prudential

from May, 1879, died on May 11, 1881, and on the 23rd of the same month Mr. Dryden was elected President of the Company. In reference to Mr. Dryden's election, the *Spectator* of June 2, 1881, properly said that "If the growth of The Prudential is due in any important part to the individual efforts of one man, that man is John F. Dryden, and the Board of Directors pays him a deserved compliment in giving him the Presidency." Of Mr. Blanchard the *Spectator* of May, 1881, stated that "Throughout his life he had been a man of great activity and excellent health, identified with The Prudential from its inception and always manifesting a lively interest in its progress. His management of The Prudential with Secretary John F. Dryden was a great success, during his administration the Company having achieved in large part the good reputation it now bears."

During the early part of 1882 The Prudential had been made the object of an attack in the newspapers on account of the sale of stock by a number of the stockholders, who, no doubt, were dissatisfied with the small returns which had thus far been realized. Certain unscrupulous parties, endeavoring to injure the reputation of the Company, had caused sensational reports to be circulated in the newspapers, and I can not do better than quote an article on the subject from the January number of the *Spectator* for 1882, which fairly explains itself:—

On Saturday morning, the 31st ultimo, an article appeared in the *New York Star*, in which an attempt was made to throw discredit upon The Prudential, of Newark, by making it appear that a number of stockholders and directors were dissatisfied with the management of the Company, and had for that reason sold their stock. On the evening previous an attempt was made to smuggle the same article into all the New York dailies, but none except the *Star* noticed it. The *Star* at once had the subject investigated, and in its next issue did all it could to repair the injury by contradicting the whole substance of the previous article. The animus of this disgraceful trick is obvious, and taken in connection with the fact that, starting less than six years ago, the Company has built up a business upon which the annual premium income is more than \$400,000—the largest of any company in New Jersey, except the Mutual Benefit Life—its utter senselessness is manifest. We have heretofore spoken in strong terms of such methods by rival companies and their agents. Allan Bassett, who is prominently referred to in the article in question as the former president, was forced to resign that position by the Board of Directors, in May, 1879. For a time thereafter he was the agent of the New York Life, at Newark, but quite recently resigned to become the agent of a competing company in the special feature of industrial insurance there. He signaled this

change by publishing a card in which an attempt was made to make it appear that he had just resigned the presidency of The Prudential to become an agent for an older and stronger company. This attempt utterly failed, and the present exploit is only another attempt in the same direction, equally silly.

The Prudential is a vigorous, sound, ably-managed company, justly entitled to the fullest confidence of the public, and that the sales of stock arose from no doubt of this is clearly shown by the following certificate of the gentlemen who sold a part or the whole of their stock :—

NEWARK, N. J., January 3, 1882.

The undersigned, having recently sold stock of The Prudential Insurance Company, hereby certify that such sales were entirely business transactions, and should not be construed as evidence of our lack of confidence in the solvency of the Company. We believe the Company is sound and worthy of the confidence of the public.

T. B. MANDEVILLE,	WILLIAM H. MURPHY,
940 Broad Street;	FRANKLIN MURPHY,
BENJAMIN ATHA,	WILLIAM WHITTY,
JAMES G. BARNET,	E. A. WILKINSON.

Continuing, the *Spectator* said :—

The Prudential is doing a splendid work. It was the first company to bring the benefits of life insurance within the reach of our working classes upon the English plan of weekly payments made directly to the company. There had been other attempts to do something in this direction through the cumbrous and objectionable machinery of the "Hildise Bund" or other societies, through which policies were issued to the members upon quarterly payments, but they utterly failed, and it remained for The Prudential to solve the problem of insurance for the working poor, which it has done with astonishing success, and all attempts to throw discredit upon it or its management deserve the contempt of all right-thinking men. The field is large enough for all, and therefore any competing company, if self-respecting, should refrain from assaults which can not injure The Prudential as much as they hinder the growth of the business in the estimation of the public.

The year 1882 had been full of new problems, and the struggle for success had been intensified by a most unfortunate development of an unfair competition and inter-company warfare. The business of the Company had increased to 196,007 policies in force for an aggregate sum of \$15,738,973, and the corresponding growth of other Industrial companies had been such that the total number of Industrial policies in force in the United States



HOME OFFICE OF
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
1883-1892.

now exceeded half a million, being 587,875 policies for \$56,374,710 of insurance.

Public approval of the new form of insurance continued, and from many sources there is evidence of an increasing respect for, and kindly interest in, the work of The Prudential. Among others, the *Insurance and Commercial Magazine*, in its issue of December 31, 1883, referred to the subject of Industrial insurance in the following language :—

Of all things poor people desire to avoid, is a "charity" burial of one of their children.

By Industrial Life Insurance, as one of the Commissioners of Insurance truly said, children are insured for a premium of five cents a week, for an amount that provides a fair burial fund, payable immediately after death is reported, when of all times most needed.

At this time, when the usual small weekly income is interrupted or used up for medical expenses, the little insurance money comes in as a sort of God-sent blessing to the poor, stricken family.

The amount to be realized, forty or fifty dollars, is too small to tempt infanticide or criminal practice, and never has, even in England, where so extensively practiced; and the little weekly premiums are not missed from the small weekly income.

The tendency of Industrial insurance is only good, and in England, where so extensively practiced for the last thirty years, commands the uniform praise of the press, the pulpit, and the informed public.

We understand there are over seven million families interested in it in England, and we see no reason why a like number should not become directly connected with it in this country.

The growth of the Company had been such that during the year it became necessary to once more remove the offices, and on April 1, 1883, the home office was removed to the Jube Building, 878-880 Broad street, Newark. This building was occupied by the Company for a number of years, when increasing growth and development made another and still more important removal necessary, to which reference will be made further on.

The effect of the business, which was now sufficiently well established, made itself felt in other directions, and public attention was drawn to the matter in an article in the Newark *Daily Journal*, January 19, 1883, in which it was stated that "The beneficial effects of this system of insurance are well known. Since The Prudential has been in operation the proportionate number of burials at the expense of the city has been very materially lessened, and the Overseer of the Poor and undertakers

will testify to this. People who before had no means to bury their dead now find it in the comfortable sums provided by their small weekly payments as premiums on policies in *The Prudential*. *A policy in The Prudential is an absolute safeguard against a pauper's burial*, and the amount obtained often bridges over for a considerable period the chasm of necessity caused by the death of any member of the family."

This emphatic statement of the direct relation of Industrial insurance to public welfare was further supported by the published returns of pauper funerals and general pauperism in the city of Newark, which indicated a very material reduction in both items of public expenditure since the introduction of the system of family insurance.

Additional proof of the value of Industrial insurance as a method of teaching the habits of thrift in other directions is found in the statement of an Industrial agent in *The Chronicle*, a New York insurance publication, under date of November 15, 1883: "I soon found that my premium increase would be small unless I was able to teach the poor people thrift, and I often had to instruct them in the matter of saving the pence until I called, in order to keep the policy in force, and also to teach the better-to-do classes how to secure the benefits offered them for their small weekly pence."

This view of the mission of the Industrial agent prevails extensively among the industrial population. It is not too much to say that the Prudential agent is, in the majority of instances, the true friend of those with whom he comes in contact. Few men more thoroughly learn to understand the ways and means of the wage-earning population, and few have better opportunities to extend the teachings of the gospel of thrift to those who need it most for the improvement of their social and economic conditions. Teaching the people thrift in one direction has been accepted, by many who have studied the subject, as equivalent to the teaching of thrift habits in other directions, and those who, through the Prudential agent, receive their first instruction and encouragement in the direction of systematic saving must needs, in the course of the years, become better citizens, better producers and better off in material good things in consequence of their relationship to an Industrial insurance company.

As a rule, exceptional caution had been used in selecting men for the position of Industrial agents. Security for the faithful discharge of their duties was required, and inquiry was invariably made of applicants for positions as to past records in former employments. Still, it is perfectly natural that occasionally, or even frequently, unworthy men would succeed in securing positions which, for self-evident reasons, offered many opportunities for dishonesty and fraud. The Prudential had always dealt severely with men of this class, and had never hesitated to institute criminal prosecution for larceny or fraud. The handling of small sums of money incident to the conduct of the business was naturally an exceedingly difficult matter to manage, and Industrial insurance companies had found it necessary to make examples of agents detected in obtaining fraudulent commissions or appropriating premiums to their own use. Once discharged, such agents would often connect themselves with other insurance organizations, usually bogus sick-benefit societies or so-called insurance associations. In other instances they would become connected with newspapers as reporters, and furnish all sorts of sensational matter founded on isolated instances, or on pure imagination. One of the methods was to send anonymous communications to newspapers, containing charges against the companies, among others the intimation that children were insured for the purpose of realizing improperly at their death.

The *Pittsburg Dispatch* of April 11, 1883, contained reference to such a letter, but in explanation the paper stated that, "For the information of the author of the letter referred to, it may be said that the companies thus engaged are recognized in the commercial and insurance world as both substantial and legitimate, and such men as ex-Postmaster-General James and others are interested in them. They issue no policies on lives of infants under one year of age. The highest policy issued on children under six is \$60, and under eleven \$123."

The subject of life insurance for children had by this time attracted attention in other parts of the country, and, among others, General Butler, in an address made at Spencer, Mass., during the latter part of 1883, as candidate for the Governorship of the State, made a bitter attack on Industrial insurance and many other forms of life insurance. The subject was discussed

in an article in the *Weekly Underwriter*,* in which the errors of Governor Butler were set forth, making clear his absolute ignorance of the business and his self-evident perversion of the facts, the article concluding with the statement that "If he had made the speech in Boston a large number of his hearers could have told him that companies do not charge twenty-five cents a week for infantile insurance, and that they do not take a premium above five cents a week, and do not insure children for any larger sums than \$100. They give no insurance at all for three months after the issue of the policy, and for the balance of the year from \$10 to \$14 in case of death. It may be that there are among Mr. Butler's constituents men who would murder a baby one year old for \$10, but we do not believe it; and so far from its being a fact that fathers in England have over and over again murdered their children, there has never been an authenticated case of the kind."

The views of the Governor were also further referred to in the *Standard* of November 3, 1883, a Boston insurance publication, the article concluding with the statement that "Governor Butler is lawyer enough to know that assertion is a good way from truth, and that impressions can never be substituted for facts. It is charitable to believe that he has gotten the impression in some way that this thing is done in England, but it would be well, before he makes such bold statements to the citizens of Massachusetts, for him to find one well-authenticated case of such a murder."

The unfortunate aspect of the affair was the newspaper notoriety given to the business, and the influence such remarks naturally had on public opinion, especially among a class of people utterly unfamiliar with the practice of Industrial insurance, and on account of their wealth and social position, ignorant of the actual manners and morals of the industrial population. It has remained so to the present time, and the opposition to the business is to be found among the rich and well-to-do, or those otherwise out of touch with the working people; and while millions of Industrial policies on children's lives are held to-day by working people and others, this fact has never had the slightest influence on the opinion of those who are opposed to this form of

* Vol. 29, p. 229.

insurance.* As has previously been stated, from the very beginning The Prudential had carefully observed its experience on infantile lives, and no case of even abuse or indifference had come to the notice of the Company, to say nothing of an authentic case of the murder of a child for insurance money; nor is there such a case on record to this day, although millions of children have been insured for many years in the United States.

Industrial insurance had continued to make considerable progress during the year, and by December 31, 1883, The Prudential had 273,917 Industrial policies in force, for the sum of \$23,053,935 of insurance protection. The aggregate number of Industrial policies in the United States now exceeded 877,000, while the total amount of Industrial insurance in force was almost \$88,000,000. The business could now be considered completely established, and the question of ultimate success was now no longer open to a doubt.

The subject was referred to in the New York "Insurance Report for 1884," as follows:—

The rapid growth of industrial insurance indicates that the advantages it offers are being presented with characteristic energy by the companies that are making it a specialty. The subject presents for serious consideration several phases that are important, both in the protection afforded the policy-holders and the probable result of the efforts to establish the success of the undertaking. The reserve to be charged has been the subject of discussion by actuaries and at several conventions of State Insurance officials. A plan was agreed upon, and has been observed with but slight modification for the past three years. It is admitted that the large number of lapses and the great expense of obtaining and retaining the business are elements that do not enter into Ordinary life insurance transactions. In fact there is no precedent to guide the companies. The operations of the Prudential, of London, are familiar, it is true, yet the State control

* This also holds largely true of charitable and reformatory or correctional societies, of which it has well been said, in a report on The Unemployed in Massachusetts, that "The ordinary charitable institution as now constituted is not in touch with the industrial conditions. Such societies are organized for the relief of pauperism. They are so well accustomed to deal with the degraded or particularly unfortunate class that they necessarily lose a certain sort of tact and generous discrimination which is needed in dealing with men and women who, under ordinary conditions, are steady wage-earners."

(Final report on the Unemployed. House Document No. 50, p. xiv. Boston, 1895.)

surrounding the American companies restrains them to certain methods that are diametrically the opposite of the freedom and judgment that have permitted and fostered the great success of the foreign company. It may be assumed, therefore, that the superintendent will use the widest latitude of discretion consistent with safety *in building up and encouraging this plan for family insurance*. It is a work of supererogation to refer in detail to the benefits conferred by the London company on the industrial classes of Great Britain, where its policy-holders number one-seventh of the population; there is equal promise of benefit and success in the United States. The time for experimenting, it is true, has not passed, and there must be to some extent a different procedure in securing business compared with the operations in London. It is evident, however, that many points have been obtained by our companies from the foreign office, and supplemented successfully by the intuitiveness that discerns the faults and creates their remedies. The companies prosecuting the business in this State have in five years procured a membership equal to that of the [British] Prudential when it had twenty-eight years' experience. What can be prophesied of their future? The details connected with the collection of the weekly premiums and the verification of the work of the collectors are provided for and guided by a well-nigh perfect system. The increase each year in the number of people employed by the companies in their outside work indicates the popularity of the business. *There is not recalled a single complaint made of any of the companies during the year*, and, with a constituency in this State that is quite formidable and growing daily, this fact is remarkable.

It is significant to note, in this reference to the business, the statement on the part of the Insurance Superintendent, that "There is not recalled a single complaint made of any of the companies during the year, and, with a constituency in this State that is quite formidable and growing daily, this fact is remarkable." To those familiar with the manner in which the business had been managed, and with the prudent and conservative methods which had been employed in extending the business, the fact referred to was not remarkable, for special efforts had been made to give complete satisfaction to those most vitally interested in the business—that is, the Industrial policy-holders.

The New York *Tribune*, also, in an article on Industrial insurance, dated July 10, 1884, concluded with the statement that "Some sentimental objections have been raised against Industrial insurance. The most serious charges are that it is used speculatively and induces infanticide. These objections are fully disposed of by the fact that actual experience proves them to be groundless."

The charge of child-murder, for the purpose of obtaining the small amount of insurance to be realized at the death of the child, hardly received serious attention at this early period. The quotation from the *Tribune* and the quotation from the *Pittsburg Dispatch* clearly indicate that the charge was not considered worthy of consideration, but hostility to the business manifested itself from another direction, in an attempt made during the early part of 1884, by a negro member of the Legislature of Massachusetts, to force companies to accept colored risks at the same rates as those charged the white population. As has been pointed out, this method of discrimination was based on a very careful investigation of the subject, and was fully supported by a large body of official statistics. It was well said by the *Weekly Underwriter*, that if the proposed measure "does become a law, its success will be due to sentimental consideration alone."

Unfortunately, such sentimental considerations have very materially influenced legislators at all times and on all subjects, and during the next few years laws were passed, in nearly all the leading States, compelling Industrial companies to accept negro risks at the same rates as those charged the white population. Fortunately, the companies can not be compelled to solicit this class of risks, and very little business of this class is now written by Industrial companies, and practically none by The Prudential. The Prudential was the first company to discriminate against negroes, as stated in Mr. Dryden's letter of March 10, 1881, and in this attitude the Company was fully supported by the Insurance Commissioner of Massachusetts, who, in his report for 1884, stated that "This was not a distinction on account of color, but on account of the difference in longevity between the two races, apparently supported by mortality statistics. That the distinction was dictated by race prejudice is not conceivable. The whole structure of life insurance rests upon a calculation of the probabilities of longevity and a just proportion of insurance charge to the risk taken, and to compel a company to insure for the same rates different classes of people with different prospects of longevity would be to establish a grossly unjust discrimination against the longer-lived class in favor of the shorter-lived class."

The progress of the Company during the year 1884, while not as great as during the preceding year, had nevertheless been considerable. The actual increase in policies was 50,877 against

77,910 during the preceding year. The financial and industrial depression of the period 1882-'86 had made itself felt in Industrial insurance, as well as in all other business operations. The business of the Company had been extended into new territory, and offices had been opened in the District of Columbia and Baltimore, Md.

During the early part of the year, Dr. Leslie D. Ward, the Medical Director of the Company, and Mr. Dryden's associate in the founding of the Company, had been elected Vice-President in place of the Hon. Henry J. Yates, ex-Mayor of Newark, who was elected Treasurer of the Company. As Medical Director Dr. Ward had, from the beginning, shown exceptional executive skill and ability in managing the field operations of the Company, and while still occupying his former position, devoted himself with energy to the outside developments of the Company's interests.

Dr. Ward has during late years been the executive manager of the Company's field force, and it is not too much to say that much of the success which the Company has achieved has been the result of his exceptional ability and devotion to the interests of the Company and to the promotion of its welfare.

Various concessions and improvements in policy provisions were introduced at about this time and communicated to the field force under date of July 31, 1884, in the following circular letter:—

POLICY CONDITIONS AND CONCESSIONS. 1884.

First.—All unnecessary verbiage has been omitted. The contract is plain and straightforward, and can be easily understood by any one.

Second.—Every restriction upon residence or liberty to travel has been removed.

Third.—The insured may engage in any occupation except military or naval service in time of actual war.

Fourth.—The policy is incontestable after two years.

The above concessions will be extended to all policies heretofore issued.

A change in benefits and rates was made under date of October 6, 1884, when the infantile rates were very slightly reduced, and immediate benefits of one-quarter during the first six months, changed to no benefit during the first three months, one-quarter benefit during the second three months, and one-half benefit after the policy had been six months in force. A new

clause was inserted, by which the Company assumed only one-half liability of any amount that might be due in case of death from consumption during the first policy year. A suicide clause had been inserted in the policy, which made the policy void if death from this cause occurred during the first three policy years. All restrictions as regards occupations were done away with, excepting military service, and an intemperance clause which had been early inserted in the policy was also eliminated. These changes in method were an indication of the careful supervision of the Company's interests, aiming rather at full justice to all policy-holders than undue liberality in the direction of impaired lives, or an otherwise undesirable class of insurance applicants. The actual business operations during 1884, as has been stated, had, however, been much hindered by the existing industrial depression, and it is something very considerably to the credit of the Company and the efforts of its managers that as large an increase as has been referred to had actually been made. The effect of this depression on the insurance business is referred to in the New York "Insurance Report for 1885," from which I make a brief quotation :—

The prosecution of the industrial insurance business during the year has been greatly hampered by the unfortunate situation of the laboring population, who, through a lack of employment and because of the numerous strikes, have not been in a condition, as a rule, to procure this protection for their families. In the face of these difficulties the companies have been active in their canvassing methods, with quite creditable results. The detail of their transactions is enormous, and needs unremitting attention. With almost an army of workers the opportunities for wrong-doing are numerous, but the system adopted by the several corporations serves to prevent irreparable injury. When the benefits and advantages to the dependents of our industrial citizens, arising from membership in these companies, are thoroughly understood, the work of the corporations will be an experiment no longer, *for the protection thus guaranteed will be regarded as a necessity.* The Superintendent is in hearty sympathy with this endeavor, by corporate action, to promote the welfare of our poorer people, and he has but encouragement to offer the promoters of the plan.

By December 31, 1884, The Prudential had secured for itself an enviable position in the world of finance and insurance. With almost 325,000 policy-holders, old and young, with an aggregate insurance liability of \$28,545,000, with assets of \$752,878 and a capital of \$115,000, the Company could now claim rank as one of

the leading insurance companies of the United States. This result had been accomplished in the short space of nine years,—nine years, however, of the most determined struggle and effort to make Industrial insurance a success in the United States.

In commenting on the success of The Prudential and the annual balance-sheet for the year 1884, the *Spectator* referred to The Prudential and its methods and results in well-earned words of praise: "The Prudential was the pioneer industrial company, and has educated the American public to the advantages to be derived from small life or burial-fund insurance on the weekly-payment plan. * * * * The Prudential now operates in a number of States, over a wide field, and by the policy of scrutiny and good management maintained by the officers each department, *per se*, is made to show a profit. The closest supervision is kept over the superintendents, assistant superintendents and agents, who are summarily dealt with for grievances reported and proved by policy-holders; but, on the other hand, The Prudential bears a reputation for liberally treating its agents and employees, and for religiously studying their interests. * * * * The Prudential is essentially the people's company, furnishing, as it does, the facilities whereby even the poorest can obtain insurance to relieve their wants in times of dire necessity." *

In a brief sketch of the history and progress of the Company, in commemoration of the tenth anniversary, published in the *Spectator* during the year 1885, Mr. Dryden contributed some very interesting facts pertaining to the early history of The Prudential, most of which have been taken account of in the earlier portion of this work. Among other interesting facts, however, Mr. Dryden stated that, on the first of January, 1885, the field force of The Prudential was estimated at 1,500, of which 34 were superintendents, 150 assistant superintendents and 1,200 agents, the balance being inspectors and special agents. The office force consisted of 55 male and 64 female clerks, besides the official staff.

It has well been said that success in Industrial insurance is very largely a question of supervision and attention to detail, and it is difficult to convey an accurate idea of the magnitude of these transactions to those who are not personally familiar with the office management of Industrial companies. Everything

* The Spectator, January, 1885.

possible has been done to reduce clerical labor, waste and expenses to a minimum by method and system and the employment of special counting, calculating and other machines. In many of the most important improvements in policy contracts, such as the granting of dividends and paid-up policies, it has often been a most serious question as to how to provide for the necessary clerical labor in a manner at once efficient and yet economical. Having to deal with millions of policy-holders, the question has often been rather the expense of the necessary office transactions than the actual amount involved in the payments. Since these expenses or difficulties are largely inherent in the business, the best talent and ability has been devoted to the solving of problems with which Ordinary life companies have never been called upon to deal.

CHAPTER X.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
1885-1888.

While the growth of the Company had been rapid and considerable, only a beginning had been made. New offices were opened as fast as the necessary agency and management force could be trained for the positions, and the Company rapidly extended its operations westward, having entered Ohio first, and then, in succession, all the other States of the Middle West. The first office in Ohio was opened in Cleveland, on June 29, 1885, and very soon other cities were added to the Western department of the Company's business. From the start The Prudential had held firmly to the theory that for permanent business progress it would be better for the Company itself to develop an agency staff and the necessary force of district managers, than to go outside of its own office for new field material. Hence the Company made conservative progress, and developed a force of employees whose loyalty can not be matched by any organization of men in this country. While something was sacrificed to this policy of The Prudential, the Company has never had cause to regret its position in this matter, and is satisfied with the results.

The business of Industrial insurance continued to receive considerable attention during the year, especially from experts familiar with life-insurance problems, and, among others, Mr. August F. Harvey, one of the leading actuaries of the time, made an investigation into the practice and results, the conclusion arrived at being communicated to the *Weekly Underwriter*, May 23, 1885, as follows:—

I also made inquiry into some matters connected with the industrial business. It is comparatively new here, but the results of the trial, so far, favor its excellence and its permanency. The great advantage to persons of very limited means of being able to carry a moderate insurance for a low weekly cost, collected at their homes, extends beyond the mere convenience of the matter to the individuals concerned. The system relieves such beneficiaries from their worst anxiety—the dread of burials at public

expense—and has actually, in many of the more populous quarters of the large cities, where extreme poverty prevails, had a marked influence in the reduced number of calls for aid in the public press; it promotes small savings in people of higher advantages and encourages a thrift among the better classes who patronize the Company, which has its effect in the increment of the public wealth. I inquired particularly with reference to the public assertion, that the plan of furnishing insurances on infant lives was to invite child-murder, or such neglect as to bring its fatal results within the category of crime. If the statement is true in any degree, the foundation for it is so limited that it has not been particularly noticed.

Mr. Harvey's conclusions were practically identical with those of Mr. Thomas B. Sprague, the President of the Institute of Actuaries of England, who had also extensively investigated the subject, and, as a result, expressed himself in favor of the business, stating that, from the standpoint of public policy, the system of Industrial insurance was fully deserving of the public support, which had come to it in increasing amount, as the beneficence of the plan became more widely known to the industrial population. Irrespective of these expressions of approval and confidence on the part of the most competent actuaries, The Prudential made its own observations and investigations, and continued to examine carefully its own experience in every direction, and on this basis of fact and knowledge the Company rests its side of the argument.

From year to year the business of the Company had increased, and at the close of 1885 the total number of Industrial policyholders had increased to 422,671. A corresponding increase had been made in the assets, which now exceeded \$1,000,000, with a comfortable surplus of \$323,037. With such results obtained during so short a period as ten years, the Company could well afford to look hopefully into the future and view, with but a small degree of apprehension, the frequent attempts made to disturb the progress of the business by newspaper attacks, unwarranted and unfair competition and unwise legislation, attempting to interfere with the operations of the Industrial companies on grounds of sentiment and prejudice.

Mention has been made of the passage of a law in Massachusetts, compelling Industrial companies to grant equal benefits to white and colored applicants. Following the Massachusetts precedent, a similar bill was introduced by a negro member into the Rhode Island Legislature during March, 1886, which also became a law. The Prudential at this time transacted no business

in Rhode Island, the Industrial business in that State being confined to the operations of one or two companies.

In the adjoining State of Connecticut, Industrial insurance seems to have been further advanced, and considerable attention to the subject is given in the annual report of the Insurance Commissioner for 1886. Considerable space was devoted to the discussion of the business in general, and to the special requirements as regards the valuation of Industrial policies. I quote the following remarks from Commissioner Williams's report, as illustrating the views of one who had evidently made himself thoroughly familiar with the subject:—

Four of the twenty-seven companies whose transactions are consolidated in the statistics already given prosecute chiefly the business known as Industrial insurance. Policies average but little more than \$100 in amount, and the premium is paid weekly. Five or ten cents a week, according to the age, will purchase an assurance of \$100 for persons not past middle life, and thus a small provision for the future is brought within the reach of all who are insurable. *The great body of workers dependent on slender daily wages ought to avail themselves of this plan, and not only great private but public benefit would result therefrom.* The business is new in this country, but is extending rapidly.

To these straightforward words of official approval of the business of Industrial insurance, from the standpoint of public policy, Commissioner Williams added the further service of a special recommendation in reference to the valuation of Industrial policies, based on a special report on the subject made by the Actuary of the Department, Mr. Sprague. Thus by 1886 the business had secured not only further official approval, but at the same time further official recognition as a distinct form of life insurance, demanding separate consideration on account of its inherent peculiarities and its essential difference from the Ordinary plan of life insurance. The recommendations were accompanied by a valuable table of weekly annuities and assurances applicable to the Industrial method of insurance for persons of all ages from 0 to 99.

The subject of Industrial insurance received additional consideration this year in the annual report of the Insurance Commissioner of Massachusetts, from which I also make a brief abstract:—

The term "industrial" or "prudential" is employed to distinguish a class of insurance for small amounts for weekly premiums of a few cents

each, such as persons of humblest means, dependent upon the wages of their labor or other limited income, can spare from their urgent necessities. The provision such insurance makes is only for the relief of immed at e family needs created by the death of the insured, and when effected on the life of an infant of unproductive age and condition can properly provide for little more than decent burial charges. Ordinarily the life of an infant of tender years can not be deemed to have an insurable value, and for a parent to speculate a profit from the death of his offspring is repugnant to the natural feelings and to public morals. *But a provision by insurance for the cost of sacred decencies to the relics and memory of the dead is worthy and legitimate.*

The Massachusetts Commissioner also referred to the fact that the Germania Life Insurance Company had discontinued the transaction of Industrial business, but had made an equitable arrangement with the policy-holders, by which the premiums were collected in the manner originally agreed upon. The last Industrial policy written by the Germania was dated December 27, 1886, and this closed the second unsuccessful attempt on the part of an Ordinary company to transact an Industrial business, the Provident Savings having previously abandoned a similar effort. The principal reason on the part of these companies for discontinuing the Industrial business must needs have been the fact that the business was exceedingly unprofitable during the early years of operation, and it must have been realized that it could only be made successful by the application of exceptional ability and industry. The Prudential Insurance Company of America, like other Industrial companies, including the Prudential of England, had passed through a period of financial difficulties, but by careful management and unremitting industry it had now reached a position where ultimate success on a large scale was only a question of a few years.

Apart from the words of encouragement and approval of Industrial insurance companies by actuaries and insurance officials, and the general public approval as manifested in the increasing number of policy-holders, evidence is not wanting to show the individual appreciation of the beneficence of the business. As a pertinent illustration of the value of Industrial insurance from the standpoint of public policy, I give space to the following letter signed by one of the Sisters in charge of the Troy Hospital, of Troy, N. Y. It would seem that a young woman by the name of Elizabeth Flynn had died in the hospital, on the 5th of April,

from pneumonia. Some seven months before she had been prudent enough to take out an Industrial policy with The Prudential, paying a weekly premium of only five cents. The Industrial policy would seem to have been the only means of providing for a respectable funeral. The letter will indicate the favorable view of Industrial insurance held by the Sister Superior :—

Poor Miss Flynn, before she died, requested that I should look after the interest of her policy and to see that she had a respectable burial, all of which I have done. I think this branch of insurance is an excellent thing for poor people, especially so when the Company is so prompt when called upon for settlement. There is no trouble about it. When Elizabeth died I notified the superintendent at room 3, Harmony Hall. He came immediately for the necessary information, and has given me a check for the amount the policy called for. I feel interested and would not hesitate to recommend the Company and its system to all who are desirous to make a provision for themselves or their families.

SISTER ANGELINE, Troy Hospital.

As another instance of the value of the system of Industrial insurance, I give space to an item which came to public notice during the year 1885, and which I quote from the *Insurance Record* of June of that year :—

Industrial life insurance is permeating the entire community. At the recent fire at Sullivan & Company's printing and binding establishment in Cincinnati, seventeen young ladies were working upon the fifth floor of the bindery. Of these, fifteen were burned to death. *Of the fifteen, seven had industrial policies.* Their total insurance amounted to \$1,102. Some of the policies were recently issued and were thus not in full benefit, but \$641 was the amount due, and this was paid the day the proofs of death were received. The total premiums on the seven policies amounted to 50 cents a week. The gross sum received on all the policies was \$18.15.

It is self-evident that such instances as these had a measurable effect in promoting the growth of Industrial insurance among the industrial population, a population ever confronted by contingencies leaving practically no choice between insurance and decent interment or improvidence and the pauper's grave.

The actual extent of the public benefit already achieved during the short period of the Company's operations is illustrated

in the following table, showing the claim payments made by The Prudential during the first ten years of its history :—

PAYMENTS MADE TO POLICY-HOLDERS BY THE PRUDENTIAL INSURANCE COMPANY. 1876-1885.

	PAYMENTS TO POLICY-HOLDERS.
1876,	\$1,958 00
1877,	5,246 00
1878,	11,338 00
1879,	23,013 00
1880,	57,256 00
1881,	111,508 00
1882,	157,706 00
1883,	222,083 00
1884,	322,382 00
1885,	418,622 00
1876-1885,	\$1,331,162 00

It will be observed that during the first decade of business operations more than \$1,331,000 had been disbursed in claim payments, rarely exceeding \$100, often as low as \$15, and sometimes as high as \$500. By 1885 the annual disbursements had exceeded \$400,000, which for the time represented a vast sum to be disbursed in insurance claims among a population not previously provided for in this manner. Much of the success of the Company must be attributed to its method of paying claims within twenty-four hours after proofs have been received at the home office, and often immediately upon the presentation of facts which leave no doubt that the claim, on office examination, is in all respects satisfactory. The Company, from the beginning, had acted on the principle that where the money was needed it was needed at once, but at the same time no safeguard was left out of consideration for the full protection of the best interests of the Company and its policy-holders.

A critical period in the Company's history had been reached, which required the most careful consideration and executive skill in devising means to provide for the increasing demands in directions not anticipated when the Company was established, ten years before. Large numbers of the Company's

policy-holders had gradually become educated in life-insurance principles, and the tendency of life insurance towards small amounts had been considerably extended upward,—that is, towards a class of people somewhat better off in material good things and able to pay larger premiums, insuring for larger sums on the weekly-payment plan. The average amount of Industrial policies, as well as the average premium, was observed to be gradually increasing, tending to confirm this view, and it had become clear to the officers of the Company as early as 1880, as was later so ably pointed out by Mr. Charles Booth in his work on “Pauperism and the Endowment of Old Age,” that “Provision in this way—that is by Industrial insurance—against death has become very general in recent years; and I am told that the amounts insured with such companies as The Prudential tend continually to increase, showing that something beyond mere funeral expenses is thought of. *Here we have an active and natural growth of thrift* which it will be wise to leave alone, except in so far as its action can be facilitated or its benefits made more secure.”*

Already in 1880 a new policy had been offered, by which it was possible to insure for even sums of \$500, but the present demand was rather for a form of insurance providing not only a burial fund, but, at the same time, a fairly substantial support for the surviving members of a family; hence this year the Company offered to the public a “Special Adult” policy, which among other provisions contained what was, for the time, a most liberal and novel concession to Industrial policy-holders, namely, a non-forfeiture or extended insurance clause, to take effect after the policy should have been in force for a period of at least three years.

By 1886 the Company was therefore able to take the first step in the direction of non-forfeiture provisions in Industrial insurance policies, which had been contemplated and aimed at in Mr. Dryden’s early efforts, but which, on the best actuarial advice, were not expedient at the time, in the absence of actual experience gained by Industrial companies. Reference is made to the new policies and slight changes in the table of Industrial rates, in the following letter to the field force, dated January 4, 1886:—

After mature consideration, the Board of Directors have decided to increase slightly the Benefits under our present table, and hereafter policies

* p. 156.

will be issued according to the schedule hereto annexed. Claims under policies hitherto issued will in future be adjusted according to the new table. We hope our members will see, in this voluntary action on the part of the Company, an evidence of that fair and liberal spirit with which it has been our aim in the past, and in which for the future we expect to deal with our policy-holders.

The Board has also authorized the issuance of Adult Policies for amounts from \$500 to \$1,000, under a Special Table of rates somewhat more favorable to the insured than the \$500 Table previously issued. You will find this Table of benefits also hereto annexed. Applications for these policies must be upon a special form which will be sent you. A special Medical examination will be required, for which the Company will pay \$1. Policies under this table will be issued with the following condition :—

If after the payment of the weekly premium hereon for three or more years this Policy shall become void by reason of default in payment of premiums, the Company agrees to issue a paid-up policy for the sum hereby insured, for a term of as many weeks as the number of times the full legal reserve upon this Policy at the time of forfeiture contains the premium for said sum insured, at the age of the insured at the time of the lapse, according to the published rates of the Company for Special Industrial whole-life policies; provided that the Policy shall be surrendered to the Company and application made in writing for such paid-up policy within sixty days after default in the payment of premiums hereon.

This new form of policy and the important concession of paid-up insurance constituted a further distinct step in the direction of extending the Industrial insurance system to the masses and the development of what, for want of a better name, I have elsewhere called Industrial-Ordinary—that is, insurance for any amount, small or large, with premiums payable on any plan, and designed to meet the demands of all the various elements of the American population. The business, after ten short years, had outgrown the earlier conceptions; it had been modified according to American experience, and had been strictly adapted to the social and economic conditions of a rapidly improving Industrial population, where the poor of to-day are the well-to-do of to-morrow and the rich of later days.

Taking into account the facts of the Company's own experience, The Prudential had placed the Special Adult policy on the market, and, as a further evidence of rapid adjustment to improved conditions and specific demands, commenced the issue of regular Ordinary life policies on plans identical with those of the leading Ordinary level-premium companies of the time. The first Ordinary policy was written on January 19th of the year 1886, and

by the end of the year 427 of such policies, for a sum of \$585,500, were in force on the books of the Company. The Industrial business by the close of 1886 had reached 548,433 policies, insured for \$59,328,627. The actual increase in business had been over 125,000 policies, or at a rate of 29.8 per cent. over the number in force at the end of the previous year. A corresponding improvement had been made in the finances of the Company, and the assets now exceeded \$1,425,000, with corresponding liabilities of over \$1,019,000, leaving a substantial surplus of over \$406,000.

By January, 1887, The Prudential operated in eight States, including Missouri, where an office had been opened in the city of St. Louis. In commenting upon the progress made by the Company, Mr. Dryden, at the annual reunion of officers and agents, at the Academy of Music, made mention of the fact that "The policy of The Prudential has been to make haste slowly, and it is only a few years ago that we ventured outside of the State; now its agents are in eight States in the Union, and, among others, we have in Pennsylvania a membership of 140,000, in New York 180,000, in New Jersey 185,000; of the latter 70,000 policies are in force in the city of Newark."

The work of The Prudential had now become sufficiently known to attract public attention, and one of the New York newspapers, under date of February 6th, contained a full description of the system and objects of The Prudential, from which I make a few brief extracts:—

If you were to go into any of the many little towns and villages which lie thickly clustered together in the vicinity of Newark, N. J., and were to talk with the families of limited means, or if you were to make a canvass of the homes of the industrial classes in the great manufacturing city just named, you could insure for yourself the discovery of at least *one subject of common interest to all* with whom you came in contact, by mentioning the name of The Prudential Insurance Company of America. Here is an institution which, though but eleven years old, has taken a firm hold upon the confidence of the people for whose benefit it was established, and which is doing splendid and beneficial work in all the territory upon which it has entered—a territory, however, which, as you will presently see, is by no means limited to the region I have mentioned. In recent Sunday chats I have described two novel and successful schemes of insurance. The scheme of Industrial life insurance as exemplified in this great insurance company of Newark, N. J., can scarcely be called novel, inasmuch as it has been in successful practice for nearly a dozen years and was founded upon equally successful experience in London, England; but the subject is one which

I do not think is as widely understood or appreciated as it should be, and which is deeply interesting.

On Broad street, in Newark, N. J., stands a spacious, handsome and substantial building, exclusively devoted to the business of The Prudential Insurance Company of America. In 1875, when, in the face of great discouragement, this Company was organized, a small office adequately accommodated the transaction of its business. To-day the fine structure on Broad street is becoming too small for the transaction of that business. Other insurance companies talk about millions, but they are millions of dollars, not of policy-holders. Can you point to any other company in the United States that had issued anything like this number of policies? This is truly a company of the people, for the people. How does it differ from other companies? Simply in this, that it is designed not as a means whereby a man, in sufficiently affluent circumstances to be able to pay the heavy premiums charged by other insurance companies, can arrange to leave a fortune to his heirs, but simply for the immediate benefit of poor families into which death enters as a doubly great affliction, bringing not only the pangs of bereavement, but the misery of debt. It is a system which enables even the poorest families to provide for the decent burial of each member of such families. It is a feature of The Prudential Insurance Company that death claims are paid within twenty-four hours after proofs of death are presented. Granted that a company of this description is honestly and honorably conducted, its blessings to the great army of wage-workers must be admitted. That the affairs of this Company are so conducted is proved by the fact that it has been admitted into the insurance field of eight different States,—New Jersey, New York, Pennsylvania, Maryland, Delaware, Ohio, Illinois and Missouri,—and also into the District of Columbia. This fact alone, under the strict and just insurance laws existing in these States, should be a sufficient guarantee of the soundness of the system and the standing of the Company, but the figures found in the last annual statement of the Company speak for themselves.

It is to Mr. John F. Dryden, now the President of The Prudential, that the United States is indebted for the establishment here of this plan of Industrial insurance which had proved to be such a blessing to the working people of England. He organized the Company and then, with the consent of the Board of Directors, went to England, where he made a thorough study of the system of Industrial insurance. I regret that space will not allow me to describe in detail the systematic and splendidly organized manner in which the business of this Company is conducted. Over 2,000 persons are employed at headquarters and in the field.

Is there any wonder that this system of insurance is popular with the people, and that the number of policies issued exceeds a million and a half?

The success of the Company, no doubt, attracted the attention of other insurance managers, and a number of attempts were made this year to establish new Industrial companies; among others, the American Life Insurance Company of Philadelphia

made a short and unsuccessful attempt, while a more satisfactory effort was made by the People's Insurance Company of Norwich, Conn., organized by some of the leading citizens of that State.* Actual business operations were commenced by the latter company in 1888, and continued with a fair degree of success for a number of years; but after having given the business a sufficient trial, the company discontinued operations, reinsuring its risks in one of the leading life companies. Few experienced underwriters could properly estimate the enormous difficulties in the way of success in the operation of an Industrial company. Few could realize that it required exceptional talent and exceptional aptitude to make this branch of the insurance business a success. The question has often been asked why it is that there are so few companies like The Prudential, the Metropolitan and the John Hancock,† that have succeeded on a large scale. The answer is that, while there are to-day some ten or eleven other Industrial companies operating successfully on a small scale, it is only through men of exceptional ability and by the most arduous efforts that Industrial insurance can be made a profitable and secure business enterprise. Fortunately for the good name of the business, the companies which organized unsuccessful Industrial branches, or which had been organized for the distinct purpose of transacting an Industrial business and had failed, discontinued their efforts in an honorable manner. Not a single dollar has ever been lost to an Industrial policy-holder on account of the failure of a legitimate Industrial company. The peculiar difficulties confronting those who would undertake new enterprises of this kind are well stated in an article in the *Spectator* for December, 1887, which, in addition, contains some pointed references to other aspects of the business, which may properly find a place in this summary

* Mr. David A. Wells, the well-known political economist and writer on taxation, was one of the incorporators of this company.

† Among the smaller Industrial companies, The Life Insurance Company of Virginia, with its home office at Richmond, Va., has been exceptionally successful in the Southern States. This company had been organized as an Ordinary company in 1871 and met with but very modest success until, in 1887, an Industrial department was added, which by slow degrees has reached proportions of considerable magnitude. The first Industrial policy of the Life Insurance Company of Virginia was issued in April, 1887, although a few so-called Prudential policies had been issued in the cities of Richmond and Petersburg during the years 1880-'87.

statement of historical facts pertaining to the origin and growth of The Prudential Insurance Company:—

The peculiar features of industrial companies are such as to almost preclude the possibility of combining them with other forms of life insurance successfully. The number of agents required in the field for canvassing and collecting purposes is equivalent to a small army. Each one of these is selected because of his special qualifications to deal with the class of persons insured, for they have to be handled with much tact, and the agent must possess a good knowledge of the condition of each one of his clients, ascertaining his earnings, habits, etc. Furthermore, the agent must be punctual, and appear promptly to receive his premium at the time specified in each instance, or he is liable to be disappointed. Hundreds of men have undertaken to do this work and given up in despair after a few days' or a few weeks' experience, being wholly unqualified to deal with the working people. The amount of good accomplished by these industrial insurance companies is not to be measured solely by the amount of money paid to the beneficiaries under the policies issued, for it has been the means of introducing frugality where previously reckless extravagance had reigned. The money to pay the premiums is often saved from the beer or the tobacco allowance of the man, while the women, who have become familiar with the usefulness of the system, practice all sorts of economies to save enough from their household expenses to pay the required weekly premium. The companies are overwhelmed with letters from persons who have been benefited by this plan, testifying to the manner in which they have been relieved from the direst distress by the receipt of the money secured to them by one industrial policy. *It is a good thing for the community that this form of insurance has come into so general favor, for it is imparting ideas of economy and prudence among a class of persons who sadly need such teaching.*

The business progress of The Prudential during the year 1887 had been exceptionally satisfactory. The net increase in Industrial policies in force was 188,476, equal to 34.4 per cent. The assets of the Company had increased to almost \$2,000,000, while the surplus had increased to \$487,078. Some progress had been made in the Ordinary branch, showing an increase from 427 policies in force at the close of 1886 to 735 policies, for the sum of \$945,000, in force at the close of the year 1887.

In commenting upon the twelfth annual statement of the Company, published during the early part of 1888, the *New York Tribune* repeated its former words of approval of Industrial insurance, stating that—

The Prudential is an invaluable help to the poor and middle classes. It paid in death claims, during the year 1887 alone, nearly one million of

dollars. In addition to this great benefit it is working a revolution among the working classes in fostering habits of thrift and foresight, which redound to their profit in numerous ways. That they appreciate their relation to it is shown from the fact that about three-quarters of a million of persons hold policies in this Company.

Mention has been made of the improvement in policy conditions made by the Company during the preceding years. The most important concession made to policy-holders was the addition of a paid-up or surrender-value clause in the Special Adult policy issued for the first time during 1886. However desirable it would have been to have extended this provision to regular Industrial policies, it was inexpedient to make such a concession at that time, partly because the business was in its initial stage and partly because the necessary experience for such an important concession had not been gained. This step, however, must be regarded as proof of the Company's honest intention to deal equitably with all its policy-holders, and it is something very considerably to the credit of The Prudential that this important concession was made before the State Legislatures had attempted to force Industrial companies to grant surrender values on Industrial policies. I recall these facts in view of an attempt made during the early part of 1888, in the State of New Jersey, to pass a bill compelling Industrial companies to grant non-forfeiture privileges after a policy had been in force for only two years. It will be recalled that, as far back as 1880, a special committee of Insurance Commissioners had reported adversely on the proposition to compel Industrial companies to grant surrender values. The merits of the case are best set forth in the following quotation from the *Insurance World*, which will make clear the Company's side of the argument, at the time when this attempt was made to burden the business of The Prudential with legislation adverse to the best interests of its policy-holders:—

The rapid strides made by the companies doing Industrial business has brought its natural result in awakening the attention of the legislators, and a bill has now been introduced in the New Jersey Legislature to render industrial policies non-forfeitable after they have been in force for two years. The absurdity of this lies in the fact that most of these policies average less than \$150 each. The net reserve at the end of the second year at age twenty-five would be 12.28 per thousand by the American Experience 4½ per-cent. table. A policy for \$150 on the ordinary life plan would accumulate in two years a reserve of \$1.93 only. But Industrial insurance is only

term insurance in fact, and the reserve would be so infinitesimally small that a good actuary with a powerful glass would scarcely be able to distinguish it. In fact the paid-up insurance would hardly be large enough to pay the fare of the individual who should go to collect it.

The subject was also referred to in the annual report of the Insurance Commissioner of Ohio for 1888, to which the *Chronicle of New York*, under date of July 26th, replied in the following manner :—

We think a number of reasons can be given why the granting of surrender values to Industrial policy-holders after the time mentioned by the Ohio Commissioner would be impracticable, not to say inexpedient. Some of the reasons may be briefly mentioned. The average Industrial policy is small, probably not much more than \$100. The reserve on a policy for this amount is very small indeed at the end of two years; in fact, it would not amount to a large sum at the end of ten years, whatever the age of the insured. The expense of actuarial calculation of the surrender value and the deduction of a proper surrender charge would make the "equitable surrender value" in many cases an infinitesimal sum. In short, the cost of valuing Industrial policies as suggested by Mr. Kemp would very likely be heavy enough to offset any possible benefit the lapsing policy-holder might derive. Moreover, the lapse tendency in Industrial insurance is very strong. The Prudential, whose experience the Ohio Commissioner quotes, lost over 320,000 policy-holders last year by lapse. Undoubtedly the majority of these lapses were on policies that had been in existence less than two years; still a considerable number of the policies had probably reached that age. The chief object of Industrial insurance is to furnish a burial fund. A matter worthy of careful thought is the question whether whatever forfeiture there is in this plan of insurance might not better remain what it now is, a slight inducement toward persistence. Industrial insurance is transacted on the stock principle. There are no dividends, and the premiums, while necessarily relatively large, are not excessive when the tremendous cost of weekly collections is taken into account. The opinion which Mr. Kemp appears to hold about the ratio of profit in the Industrial business in Ohio will probably be modified in a few years, when this kind of insurance has been prosecuted longer in his State.

Without discussing at length so involved and complex a question as the Company's practice in dealing with lapsed Industrial policies, I need only repeat, what I have stated in the beginning, that Mr. Dryden and his associates had fully considered this question before a single policy had been issued, and the subject received constant attention during every year of the Company's early existence. After sufficient experience had been gained The Prudential was the first Industrial company to grant not

only paid-up policies, but also cash-surrender values to Industrial policy-holders.

Attempts were made this year to create a class sentiment against Industrial insurance by sensational newspaper articles on the subject of life insurance for minors. The year previous, articles had appeared in St. Louis newspapers reflecting upon the practice of Industrial companies, while this year they were confined to a few newspapers of Philadelphia.

This agitation, no doubt, was largely the result of an effort on the part of the Seventh Ward Charity Organization Society of Philadelphia, which had petitioned the Pennsylvania Legislature to secure legislative prohibition of the life insurance of children, on the ground that mothers were likely to murder their children for the purpose of obtaining the small amounts of insurance receivable at death. The argument in favor of adverse legislation on the subject of life insurance of children, from the viewpoint of the Philadelphia Charity Organization Society, was well answered in a brief article in the *Standard of Boston*, under date of November 3, 1888, as follows:—

A Philadelphia charity organization declares its intention of memorializing the next Pennsylvania Legislature to abolish infant insurance. This idea was doubtless fed and fired by the half-baked newspaper articles that have followed one or two sporadic cases of maltreatment of insured infants. Adopting momentarily, for the sake of argument, the low view of human nature evidently held by these Philadelphia philanthropists of small research, a little painstaking would have taught them that infant insurance, as carried on by the reputable companies, is so arranged as to offer no incentive for manifestations of avaricious cruelty or crime. But even if this were not so, we have greater faith in our fellow-beings than to believe them capable of such horrible practices for the ignoble pittance they would secure.

I have made mention of these fragmentary evidences of the increasing opposition to the practice of Industrial companies in accepting small risks on the lives of children for burial purposes, to account for more recent and more determined opposition to this branch of the business, to which reference will be made later on.

Whatever might then or now be said or thought of Industrial insurance from the standpoint of public policy or of the individual policy-holders, this much is certain: it is this form of life insurance for the masses which alone has survived in the

struggle for existence, has accomplished what it set out to do, has increased in extent of operations from year to year, with never a check or evidence of diminishing popularity, and represented at the close of 1888 a more formidable array of figures and facts in its own support than could be marshalled in behalf of any other form of life insurance or investment in America. While, previous to the organization of The Prudential, a large number of efforts had been made to organize insurance companies or societies for the benefit of the industrial population, not one had succeeded in reaching a sufficient degree of popularity or of financial security to survive more than a score of years at the most. But these efforts had not come to an end with the organization of an Industrial company, they had not been seriously hindered by the growth of Industrial insurance in all parts of the country, but in a measure, and contrary to expectation, an increasing number of ventures in all directions had been made to compete with the legitimate form of Industrial life insurance by methods offering cheap insurance to a large element of the population still unfamiliar with insurance principles, and unfamiliar with the past history of unsuccessful insurance enterprises. Among a large number of pseudo-life-insurance efforts made during the early years of Industrial insurance history, I have already made mention of some, and space is not at my command to deal exhaustively with this subject. Near the close of 1888, however, the operations of pseudo or bogus imitations of Industrial companies had increased to such an extent that the State Department of Insurance of New Jersey found it necessary, in an open circular, to warn the public to beware of the Industrial Association of America, with offices at Newark, N. J. According to the *Investigator*, October 13, 1888, "This fraud is evidently attempting to trade on the high commercial standing and long-established reputation of The Prudential Insurance Company of America. The similarity of names would be traded on to the advantage of the fraud and disadvantage of the legitimate corporation."

An apparently honest but rather curious effort in the direction of workmen's insurance for burial purposes was made this year, at Camden, in the State of New Jersey, by the United States Funeral Directing Company, which proposed to operate on a plan entirely new and different from any other method of insurance provision against contingencies. A somewhat similar effort in this direction had been made as far back as 1873, in

Richmond, Va., and, no doubt, in other cities also, but without success. The object of the Camden company was to provide for a decent interment at a cost of from \$30 to \$100, but after a brief experience the attempt was discontinued. The reasons for failure are that life insurance on the Industrial plan, after the initial stage has been passed, aims at more than mere provision for burial expenses. Persons will begin by insuring for five-cent premiums for burial purposes, but after a year or more increase their premiums to secure a sufficient sum to pay the cost of the last illness; later on, by further increase in premiums, provision will be made for dependents, and in this manner a more complete purpose, as in Ordinary insurance, is secured or largely realized. Hence, the failure of the Funeral Directing Company came not unexpectedly to those who had made a thorough study of Industrial insurance underwriting.

CHAPTER XI.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, 1889-1891.

The difficulties which had been experienced during 1888 had not materially hindered the progress of the Company, and by the close of the year there were over 850,000 Industrial policies in force. In addition there were now, in the Ordinary branch, 915 policies in force, indicating a slight but substantial increase. The growth of the Company made necessary the serious consideration of the erection of a home-office building, and during the year a plot of ground on Broad street was purchased for the purpose of erecting thereon, in course of time, a substantial structure. The *Insurance Times*, in its issue of December, 1888, quotes from the Newark *Daily Journal* the following reference to the real estate transaction:—

In a few years The Prudential Insurance Company will erect, at the corner of Broad and Franklin streets, a building that will be an ornament to the city. The plot of ground owned by the Company has a front of 89 feet on Broad street, and it runs back 160 feet to an alley. It is proposed to have a large open court in the middle of the plot, with an entrance from the alley for carriages, and the building to rise on four sides to a height of six or more stories. But the managers will not decide upon any plan until after the finest buildings in this country and Europe have been inspected, the aim being to construct an edifice that will meet all the requirements of the rapidly increasing insurance business. Plenty of light and air will be needed for the army of male and female clerks and other employees, for the Company has so prospered since its organization, thirteen years ago, that over 800,000 payments are now recorded weekly at the home office in Newark on life-insurance policies. The Company employs several thousand clerks and agents, and is extending its business to the growing towns in all the States and Territories.

For reasons which need not be dwelt upon, the Company, very soon after this transaction, did not consider the property sufficient for its purpose, and during the early part of 1889 one

of the most desirable pieces of real estate in Newark, in the heart of the city, with a frontage of 70 feet on Broad street, was purchased for the sum of \$275,000, as a site for the home-office building, to be constructed during the next few years. According to *Insurance* under date of February 8, 1889, "It is the intention of the Company to erect on this lot a substantial and handsome building for the accommodation of its own vast and growing business and affording large room for rental purposes. The work of construction will not be begun for some two years, for the Company's lease of its present quarters has still four years to run, and after the plans are fully matured something like two years will be taken for carrying them out. *The Prudential has never been in a hurry from the beginning. It was very particular about foundations. And it built to stay.*"

A further reference to the purchase of the property and the proposed home-office building of the Company occurs in the *Insurance Critic* for March, 1889:—

The Prudential Insurance Company of America, which so successfully conducts the business of industrial life insurance from its home office at Newark, has recently purchased a valuable and central site in that city, with the design of erecting thereon a commodious and handsome office building, that shall be an architectural ornament to the place. The property is situated at the corner of Broad and Bank streets, and was bought from two owners; the larger part from Justice Joseph Bradley, of the United States Supreme Court, for \$275,000, and the balance, known as the Wiss property, for \$38,000, the entire outlay being \$313,000. The frontage is 70 feet on Broad street, 265 feet on Bank street, and 140 feet on Library court, and the entire plot contains 25,000 square feet. The new edifice will be built on the portion purchased from Justice Bradley, and will be so constructed that an extension in harmony with the main design can be erected when the growing business makes it necessary. * * * * The general design is to put up a nine-story, fire-proof building, in size 70 by 231 feet, to cost about \$500,000. All the conveniences and improvements devised by modern skill and art will be introduced. It is believed that the favorable location and the interior attractions will occasion a large demand for offices in the space on the several floors not required by the company itself for the transaction of its business. The company will make use of the larger portion of the building in its own work. When it entered its present home office, less than six years ago, its clerical force for the office was below fifty; it now employs two hundred and twenty-five clerks. At first it rented out the two upper floors, but increase of business soon compelled it to occupy the entire edifice, from basement to attic, to hire the basement in the adjoining building for the construction of additional vault room, and to place its local agency force in other parts of the city. The company's

employees are now numerous enough to form a circle of society by themselves. They have organized a literary and musical association, which holds regular semi-monthly meetings. The Prudential "Old Guard" includes those who, having served the company faithfully and continuously for certain periods, are presented with certificates and badges, bronze badges for five years' service, silver badges for ten years, gold badges for fifteen years, and gold badges with a diamond set in each for twenty years. The members [of the Old Guard] receive also special consideration in their business dealings with the office. The company's growing business and increasing clerical force show the need of enlarged accommodations. The building to be erected will also be a monument to the prudence and forethought of the company's large clientage. Nearly a million people hold its policies, and of this great number about one hundred thousand are in Newark and its near vicinity.

The plans of the Company with respect to the proposed building were carried out practically in accordance with the preceding outline, ground was broken in September, 1890, the new building was completed during the early part of 1892, and actual possession was taken on May 1, 1892. So rapid, however, was the growth of the Company, and so promising its future, that steps were taken to purchase more real estate than was required at that time, and during the latter part of 1889 an additional portion of real estate was purchased contiguous to that previously acquired. The subject will be further referred to under its proper date.

The good work of the Company had continued to be appreciated, and volumes could be filled with the expressions of public approval to be found in the records and archives of The Prudential. One of the earliest friends of the Company, when the business was in its infancy, had been the Metuchen *Inquirer*, cordially approving of the then new and untried plan of Industrial insurance, when the same was first made known to the people of New Jersey. I can not do better than quote from an issue of this same paper, during the early part of 1889, a few words of further commendation of the results of Industrial insurance, as observed in this community :—

The total amount paid in claims to relatives of deceased policy-holders has now reached nearly \$4,000,000. The benefit derived from these payments is incalculable, because it may be said that in many, if not in the majority of cases, these policies were the only available asset which the relatives of the deceased had at the time of their death. That the masses are coming fully to realize the great value of Industrial insurance in a strong, reliable company is shown from the fact that The Prudential has now about 900,000 policies in force. They paid over 13,000 claims in 1898.

The Prudential had not only made many friends from the beginning, but it had never forfeited the good-will of any one thoroughly familiar with its object and results as an agency for the improvement of the condition of the industrial population. This view is fully and ably set forth in a lengthy article on the Company's business operations during the year 1888, in the Baltimore *Underwriter* of January 21, 1889, from which I make a brief extract, as a further proof of the increasing public approval of the Prudential form of life insurance in America:—

While The Prudential is thus showing what can be done by intelligent and energetic effort in the upbuilding of a great providential institution, it serves at the same time as a leading exponent of a system most admirably adapted to the special needs of the industrial classes. It is teaching with all the force of a singularly successful example; it is educating the wage-earners of the country to the importance of thrift and the cumulative value of small savings; it shows them how the benefits of life insurance can be brought to their own doors, and be made available and secure for them, no matter how humble their means or how enforced their economy. Before the introduction of the industrial system, the largest class in every community, the class more than all others needing the protective care of life insurance, was practically denied its advantages. Thousands, through the convenient methods and the ready adaptation of The Prudential, have realized the value of its help in time of need, and they in turn naturally advertise it among their friends, and make its name a familiar household word.

Another clear and comprehensive expression of approval on the part of a public journal not connected with insurance interests, but which had been among the first to recognize the importance of extending the principles of life insurance to the masses, is to be found in the Boston *Herald* of September 2, 1889. From a long article on the subject of Industrial insurance and "how the poor may provide a burial fund," I make the following extracts, as a further illustration of the increasing intelligent recognition of the methods and results of life insurance on the Industrial plan:—

One of the most surprising developments of modern life insurance is in the direction of what is called industrial or burial fund insurance. This feature, which is of comparatively recent growth, has been forced upon the insurance companies by the necessities of families of small means. Its primary object is to provide a modest sum for funeral expenses, and is radically different from ordinary life insurance.

This class of insurance may be called A GROWTH OF THE TIMES, and the increasing demand for it is one of the most encouraging features in the

industrial world at the present time. But a few years ago it was nearly impossible for one to obtain a policy of insurance for less than \$1,000. Few companies would grant insurance on the lives of women, and no company would insure children. Up to the time of the introduction of the plan of industrial insurance into this country, the average amount of life insurance policies in force in the United States was \$2,500. The efforts of most companies were, and still are directed toward securing large individual risks, and the manner in which the heavy risks that have been placed in recent years are exploited shows the estimation placed upon this class of business by insurance companies. Not only were policies of less than \$1,000 seldom issued, but premiums were not accepted oftener than quarterly. Naturally this high cost of insurance cut off from participation therein those who most needed the protection. In fact, the vast majority of the community were unable to procure insurance, and would have been unable to pay the premiums, even if secured. To them, policies for small amounts with frequent payments of premiums are a necessity. This need was supplied by the scheme of industrial insurance, the plan for which has been largely drawn from English sources.

Among the objections that have been raised against industrial insurance at various times has been that of the temptation to infanticide; but this argument has been so frequently met by official statistics and reports from English and American sources, that only the ill-informed now hold or advance such theories. The plan early adopted by the companies, and uniformly pursued since, of granting an increasing insurance for a uniform period, so that as the child advances in years the benefits increase, reaching the maximum at about the age when the child becomes a possible wage-earner, and thus a contributor to the family funds, has done much to lessen any possible danger that might come from this direction. As a matter of fact, the cases of infanticide for the sake of insurance money are exceedingly rare; indeed, much more uncommon than similar cases in ordinary life insurance, where the temptation is greater.

Another criticism is based on the great number of policies lapsed. The critics evidently forget that the conditions are radically different from those attending ordinary life insurance. So many things affect the connection of the policy-holders with the companies, such as the great variety of ages, the small incomes of those who carry the insurance, and the fact that these incomes are liable to sudden shrinkage or entire loss. All these causes, and many others which might be named, have so much effect upon the question that it is not strange that the ratio of lapses should be very large.

Other objections raised are the trifling amount of benefit paid and the lack of insurable interest of the parents in the lives of children, who compose the bulk of the risks exposed. But these objections are answered by calling attention to the fact that the benefit is intended to be only of the nature of a burial fund, that it is as large as the one carrying the insurance can afford to pay premiums upon, and that the desire of a parent to properly and decently bury a dead child, without relying either upon public or private charity, may well be a substitute for an insurable interest.

The dangers which are connected with this plan of insurance, so far as the policy-holders are concerned, are largely those which are inseparably connected with insurance of whatever nature.

From the little paper printed for The Prudential Insurance Company, and from other industrial insurance literature which is accessible, it appears that the industrial companies endeavor to minimize the lapses as much as possible; they help the member avoid them by granting him a grace, so that every little disturbance may not invalidate his insurance, and they make it a vital consideration to the agent to make the lapses as small as possible. The idea adopted seems to be that "a business worth doing is worth keeping." A member never secedes, the revenue from whose policy a company would not far rather have maintained, for the lapses are not on business which has been in force for a few years, but upon business in the early stages of its existence before it has covered expenses or yielded any margin of surplus.

Insurance Commissioner Merrill has the following to say of the industrial business in his report for 1889: "This branch of life insurance, comparatively new to this country, has had in other lands a development which best attests the public want thereby met. That it has its limitations and its dangers its most earnest advocates attest, but there is a field within which it may properly, and with careful restrictions, commendably work."

Too much credit can not be awarded to those companies that have, in the face of innumerable obstacles, carried the blessings of life insurance to the poor and lowly, and made it possible for even the women and children to share in the advantages of the indemnity it secures.

To these words of approval and advice little need be added in further explanation. It would be well, indeed, for the best interests of the people if public journals would at all times give as fair and open an expression, supported by official and other proof, of matters affecting directly the interests and welfare of the wage-earners of the State; but, unfortunately, very often sensational newspapers will try to discourage public confidence in financial institutions by ill-advised criticisms or unwarranted assertions. It is something very considerably to the credit of the *Boston Herald* that it maintained consistently its attitude in favor of workmen's insurance for so long a period as from 1853 to 1889.

The success of The Prudential was, no doubt, largely responsible for the organization of a new Industrial insurance company in the city of Newark during the year 1889, under the name of The United States Industrial Insurance Company. What has been said of The People's Insurance Company of Norwich applies equally well to this company, which, after struggling against enormous difficulties extending over a period of a little more

than eight years, withdrew from the business and reinsured its risks, under date of June 24, 1896, with the Metropolitan Life Insurance Company of New York.

As it was well pointed out at the time, it is not only an exceedingly expensive matter to establish an Industrial insurance company, but practically an almost impossible undertaking in view of the great difficulty in obtaining the required body of men able to manage local agencies with even a fair degree of success. As a rule, new Industrial companies in the beginning unwisely attempted to obtain their agents and managers from the existing Industrial companies, who, in turn, would attempt to "twist" policies by transferring business from the older companies to the new, this in turn leading to inter-company warfare, which naturally caused strife and bitterness and unnecessary waste of money, to which must be added a not inconsiderable degree of hindrance to the development and best interests of the companies and their policy-holders. Other companies have been started since that date, but, as a rule, their early experience has been very much along these lines. Thus, during the same year, an Industrial company was organized in Cincinnati by the name of the Western and Southern, which also, at first, for a short period at least, gave considerable trouble to the agents of The Prudential. After a while, however, these difficulties were overcome, and the Western and Southern has now quite a large number of policy-holders in some of the principal cities of the Middle West.

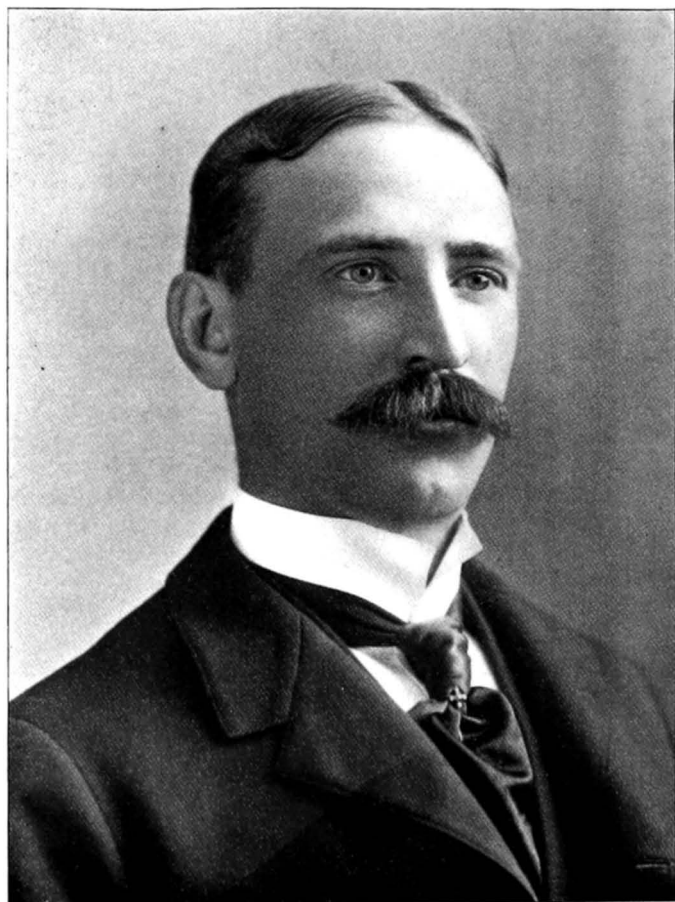
The business operations of The Prudential during the year 1889 had been exceptionally successful, and at the close of the year the Company had 1,099,312 Industrial policies in force for the sum of \$117,357,415 of insurance protection. The premium income during the year had reached the, for the time, enormous sum of almost \$4,500,000, while the amount paid in losses was \$1,300,000. The net gain in Industrial insurance during the year had been 249,248 Industrial policies, or equal to 29.3 per cent. increase over the preceding year. In Ordinary insurance the Company had made considerable progress, doubling the number of policies, the increase being from 915 in force at the close of 1888 to 1,839 in force at the end of 1889. Corresponding gains were made in assets and surplus, indicative of the healthy and solid growth of the Company during the year.

The progress of the Company, in both departments of the business, continued during the year 1890. An important step in

advance was made during this year, in that a concession was granted to the policy-holders by the addition of a five-year dividend provision to the holders of Special Adult policies.

In a general way the year was rather an uneventful one from an insurance standpoint, and the only matter deserving of more than passing notice was an attempt in the State of New York to prohibit the insurance of children under ten years of age. A bill to this effect had been introduced and referred to the Committee on Insurance, which gave an extended hearing to both sides of the controversy, and I can not do better than quote the following passage in reference to the subject from the *Spectator* of March 13, 1890:—

The insurance committee of the Legislature has given a hearing to those who are interested in the bill recently introduced to prevent the assurance of the lives of children under ten years of age, or what is more usually termed infantile assurance. There have been at various times attempts made to excite public distrust of this kind of assurance by the cry that such assurance is an incentive to child murder. This cry has been sounded more frequently, however, in England than here. Inquiries officially made in England have shown that there is very little basis for the truth of any such statement. While it is possible that occasionally depraved and dissolute parents have been led to commit child murder for the sake of a small amount of assurance, yet such cases are so rare as to amount to nothing when the large number of children so assured is considered. We do not believe that in this country it would be possible to substantiate a single case of child murder as resulting from this cause. On the contrary, however, *it could be abundantly shown that infantile assurance has done a world of good among the poorer classes.* Thousands of children are assured in the various industrial companies for small amounts, and this is regarded in the light of a burial fund, to secure for the child in case of its death a decent Christian burial. There is nothing the poor so dread as the possibility that they or their children may be buried in Potter's Field or by the hand of charity. Next to the poor-house a pauper's grave is their greatest aversion. They therefore hail with alacrity this form of assurance, which provides a burial fund for themselves and their children, and they will pinch and starve themselves, almost, in order to keep this assurance alive by the payment of the small weekly sums required. The agents of the industrial companies tell many a pitiful tale of the privations that poor families endure rather than default in the payment of the premium which secures them this fund to save them from a pauper's grave. It is so small on the average as to preclude the possibility of its being a temptation to them to commit murder, much less a murder of their own offspring, but is sufficient to secure Christian burial in case of death. President Dryden, of The Prudential Insurance Company of Newark, and Vice-President J. R. Hegeman, of the Metropolitan, with others representing



Forrest A. Snyder

Industrial assurance, have appeared before the committee and given such explanations as will probably result in the defeat of the bill. Certainly there is no occasion for any such measure, depriving so many thousands of this highly-prized form of insurance, until there is some evidence that it has been abused, as has been so frequently suggested but never proven.

The Legislative Committee was evidently impressed with the plain statement of the facts as presented by the Industrial companies, and after a full hearing no further action was taken. It was only a few years later that complete legislative sanction was given to the business by the incorporation of a table into the new insurance code of the State, fixing the maximum amounts which children under thirteen years could be insured for, in a manner practically identical with the methods of The Prudential and other Industrial companies.

During the year an epidemic of *la grippe* caused an excessive mortality among the general population and proved a serious drain on the funds of the Industrial companies. A large number of claims due to this cause were paid by The Prudential, and corresponding relief was afforded to large numbers who would otherwise have been compelled to rely upon public or private support for the payment of medical and funeral expenses.

A new Industrial company was organized this year at Louisville, Ky., under the name of the Sun Life, by Mr. M. W. Adams, formerly connected with The Prudential Insurance Company. The new company was, from the beginning, under energetic management, and has succeeded in making a success of the business, especially among the white population in the Southern States.

A vacancy having occurred in the position of Secretary, Mr. Forrest F. Dryden, only son of the President of the Company, was this year, under date of October 10th, elected to the identical position so ably filled by his father from the commencement of the Company's business operations to the date of his election to the Presidency. For the purpose of obtaining a thorough training in the field service of the Company, Mr. Forrest F. Dryden entered one of the Company's districts as an Inspector under date of October 4, 1888, and in the usual course obtained his promotion to a Superintendency under date of February 4, 1889. Having shown unusual executive ability, Mr. Dryden, on January 14, 1890, was advanced to the position of Assistant Secretary, and, on October 10, 1890, elected to the

responsible position of Secretary, which office he holds at the present time.

At the close of the year 1890 The Prudential had 1,228,332 Industrial policies in force, insuring to the industrial population an amount of protection in excess of \$135,000,000. The financial condition of the Company was excellent, the surplus having been increased to \$1,343,874. The relative increase in business had been less than during the preceding years, partly on account of the continued efforts on the part of new Industrial companies to interfere with the business of The Prudential by improper methods and unfair competition. These difficulties, however, were gradually overcome as the nature of the business and the elements of success were becoming more thoroughly understood by new organizations entering the field of Industrial insurance.

As an evidence of the efforts on the part of the managers of The Prudential to do complete justice to their policy-holders, as well as to the agents of the Company, a new scale of terms to agents was issued during the early part of the year, indicative of the most careful consideration of all the interests involved in the complex question of adequate agency compensation. The table of Industrial rates was slightly altered in that weekly premiums in excess of twenty cents were accepted at the older ages, where occasionally a demand was made for a policy for a larger sum than could be insured for under the existing table of rates. Otherwise, the table of rates and benefits remained the same as established in 1887.

During the year 1891 a number of legislative attempts were made to disturb the business of the Company and interfere with the practice of Industrial insurance, but, as a rule, the plain statement of facts supplied by the companies sufficed to meet the objections made against certain details connected with the business. Efforts to prohibit the insurance of children were made in Illinois, Massachusetts, Ohio and New Jersey, but not one of the bills introduced for this purpose became a law. In New Jersey a further attempt was made to compel Industrial companies to grant surrender values after two years' premiums had been paid, while in the State of Illinois a bill was introduced to compel insurance companies to make their policies incontestable after six months. Neither of these efforts met with success, the view of the companies prevailing, that should

experience warrant the adoption of such measures the companies, for purely commercial reasons, if for no others, would on their own account grant such privileges as the condition of the business would warrant. In a few States efforts were made to force Industrial companies to grant the same benefits to colored persons as those granted to whites, and in the State of New York a bill to this effect passed both houses of the Legislature. The *Spectator* of February 5, 1891, in commenting upon the passage of this bill, well said that "There will probably be less effort on the part of agents to write applications on colored lives," and further referred to the subject in the following well-timed remarks upon the bill during its early stage in the Assembly :—

A bill has been introduced in the New York Senate, having in view the prevention of discrimination by life assurance companies against persons of color, and is similar in character to that passed by the Ohio and Massachusetts Legislatures. Legislation of this kind is harmful in the extreme, because it defeats its own end, it being impossible to force any company to make a bid through its agents for colored risks, and so those persons, who would otherwise be able to secure assurance at rates equitably adjusted to the greater mortality which statistics show prevails among individuals of African extraction, are practically debarred from its advantages, because no agent will solicit them for assurance if his company is compelled to grant a contract in which the terms are so manifestly against them. The color line is not drawn simply because the applicants are negroes—the world is too progressive for that—but a distinction is made on account of the fact that companies can not afford to grant policies at the same rates to colored as to white applicants, and any legislation which is intended to force them so to do is practically tyrannous. Fire insurance companies are not prohibited from charging higher premiums on frame than brick or stone-built properties, and yet they are in just the same position as life assurance companies that adjust the difficulty of increased mortality amongst negroes, by fixing a rate at which they can safely, and with equal chance of profit as from whites, grant them assurance. There is no more sense in passing such a bill as referred to than there would be in passing one to prevent life assurance companies rejecting applicants who were consumptives.

The business year of 1891 had been satisfactory to the managers of The Prudential, showing a fair increase in the Ordinary branch, while in the Industrial branch 1,360,000 contracts were in force at the close of the year. The Company was taking its time in the writing of new business, more serious attention being given to the improvement of the condition of the business

already on its books. This, in the practice of Industrial insurance, is a most important factor and element of success, and no Industrial company has shown more solicitude towards its persistent policy-holders than The Prudential, and to the Company's sense of equity and fairness must be attributed a large degree of its wonderful success not only during the early years of business operations, but much more so during more recent times.

CHAPTER XII.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, 1892-1893.

The new year 1892 was destined to prove a most important one in the annals of Industrial insurance. The Prudential Insurance Company this year issued a new Industrial policy, which contained a provision granting paid-up insurance to its policy-holders after the premiums had been paid for a period of five years. A circular letter to the agents and policy-holders explaining this voluntary concession on the part of the Company was issued under date of January 1, 1892, from which I make a brief quotation:—

The first of our new Plans is the addition of a Paid-up Policy Clause to the present forms of Industrial contracts. The paid-up clause will be operative after five years' premiums have been paid on the original policy. The amount of the paid-up policy at the end of a certain number of years is plainly indicated in a table which will be printed on the back of each Industrial policy issued after the first of January, 1892. The amounts in the table are computed according to the New York Non-forfeiture Law, which is used by the New York State companies in computing paid-up policies under Ordinary Whole-Life contracts. The paid-up policy, as its name indicates, is not subject to the payment of any premiums, and will be paid in event of the death of the person insured, provided it occurs within the period of his (or her) Expectation of Life at the time the paid-up policy is taken out.

The Company has further to announce that all policies at present outstanding will be entitled to a paid-up concession, after five years from this date; or, in other words, whether they contain a paid-up clause or not, will be entitled to a paid-up concession.

In commenting upon the liberal policy of The Prudential, the *Insurance Monitor*, under date of January 2, 1892, voiced the unanimous opinion of the insurance press in the following words:—

The opening of the new year marked an important step in advance in industrial insurance. To the Prudential must be given the credit of

inaugurating the new departure. Hereafter surrender values in the form of paid-up policies will be granted to all applicants above the age of thirteen whose contracts have run for five years, such policies to run for the term of their life expectation.

The great importance of this voluntary concession lies in the fact that it anticipates and effectually meets what might, in the near future, prove a serious menace to the business. Industrial insurance has its stronghold among the masses, whose political influence is all powerful. Sooner or later a legislative agitation would have been started in the ostensible interest of the poor man to compel surrender values. The matter would have been in the hands of incompetent legislators, whose notions of surrender values would be in all likelihood damaging to the best interests of the business. The action of the Prudential will almost inevitably be followed by the rest, and there will be no occasion for legislative interference. In fact, since writing the above we have learned that the Metropolitan and one or two other companies expect to take a similar step.

But we suggest to all the companies that they act in harmony in this matter. Industrial insurance is still in its early stages, and it would be exceedingly unwise to inaugurate a competition as to which can promise the largest benefits to be piled up as a future liability.

I can not omit a further tribute to the Company and its liberal policy towards its policy-holders, as additional evidence of the ready recognition of The Prudential's sense of justice in dealing with its patrons, and its sense of prudence in dealing with a problem which required for its successful solution and settlement not only the highest actuarial skill, but also an experience which could be furnished only by the actual business operations of the Company. The following reference to The Prudential appeared in the *American Exchange and Review* of April, 1892, having been copied from the *Philadelphia Intelligencer*:—

It appears to have been a very difficult matter to introduce the feature of surrender values in industrial life insurance in this country. In the first place, the amounts of the industrial policies are so small that even the most liberal allowances as surrender values would be represented by such insignificant amounts of paid-up insurance, or for so short extensions to the life of lapsed policies as to leave but very little life insurance benefit remaining to the assured. But the principal difficulty in this matter, no doubt, has been the exceedingly high proportion of cost that must accompany the granting of surrender values or extensions in industrial life insurance. The trouble and expense consequent upon extending the time or in granting paid-up surrender values on a policy for but \$50, generally speaking, is as great as for a policy of \$50,000; from this it can be judged that, while the ratio of expense attending surrender values, etc., in a business of policies for large amounts is hardly appreciable, yet such similar amounts

of expense attending the granting of surrender values, etc., on the exceedingly small amounts in industrial insurance, would pretty much swallow all up in the cost. Nevertheless, industrial insurance in itself is possibly the greatest, as it is the grandest representation of the important results that have been obtained by "attention to small things"; so, on this very account, it has looked something like a reproach against the industrial life insurance companies that they have not granted surrender values or extensions on lapsed policies, no matter how small such paid-up amounts or how short the periods of the extension of the life of the policies these concessions would result in. However, The Prudential Company of Newark, with its twenty years of the largest experience as to the possibilities of industrial insurance, has carefully considered the difficulties of granting surrender values in this branch of the business, and finding, in its case at least, this concession could be made to its patrons, has incorporated it in all its policies of five years' standing; and if this may be considered a long time before a surrender value can be earned, nevertheless this action of The Prudential is exceedingly valuable as an example that no doubt will be influential in bringing about, in the industrial branch, the study and allowance of all that can be permitted in this important matter, and therefore *it is due the "Prudential" that it should be given all the credit belonging to the industrial company first to introduce the important feature of "surrender values" in the industrial life policy.*

Still another decided step in advance was taken this year by The Prudential, in that an Industrial Endowment policy was placed on the market, reference to which was made in Mr. Dryden's letter of January 1st, as follows:—

The second departure is the addition of Endowment Policies to the forms of contracts now issued by the Industrial branch of the Company. Policies will be issued payable at the end of 15, 20, 25 or 30 years, or at death, if prior to the end of the period selected. Circulars are sent you herewith, showing the amount of the policy that may be purchased by a certain weekly premium.

Endowments will also be entitled to paid-up policies after five years' premiums have been paid. The amount of the paid-up will be in proportion to the number of premiums paid on the policy. For example, if the Endowment is for \$1,000 and for 15 years, the paid-up policy after five years will be for one-third of the face value of the policy—after ten years, for two-thirds of the face of the policy.

The question of Industrial Endowments had been discussed for a number of years in the insurance journals, but it was one which required for its proper treatment years of experience. The subsequent experience with this class of policies has proven that Endowments, in the true sense of the word, and in a practical

form, are hardly possible under the existing conditions of the Industrial method of insurance. In Endowment insurance a large part of the premium represents an investment feature, which can hardly find a place in an Industrial policy, providing first for the payment of funeral expenses and the cost of the last illness. The increased cost of Endowment insurance must necessarily at all times prove a serious hindrance to success, while, on the other hand, it may be argued that it is not desirable that the primary purpose of Industrial insurance should be defeated by a secondary one, which would often be the case were the amounts receivable to be paid to the insured during his or her life-time, and which, being small, would rapidly be consumed for living expenses, leaving little or nothing at death to meet the cost of burial and last illness.

Immense and permanent progress had been made in the extension of insurance principles to the masses. Millions were now insured who, previous to the advent of Industrial insurance, had not even a conception of insurance principles and practice, and millions had been provided for by a policy adequate to meet the objects for which the business had been established.

Few writers on Life Insurance Progress have recognized this development of life insurance more clearly than Mr. D. N. Holway, who, in an article in the *Arena* of 1892, referred to Industrial insurance as follows :—

It forms the A, B, C of American Life Insurance. All the members of a family insure each for a small amount secured by weekly payments. In this way they mutually protect each other. The amount of death claims paid under this form of insurance in 1891 was \$7,725,000 upon 63,900 policies. Aside from the direct and incalculable benefit which the bestowal of this large amount among so many households afforded, the educational process whereby this vast number of people (over 4,000,000) are taught the value of self-sacrifice for the benefit of others, and to fully realize that there is a system whereby they can surely do it, is of immeasurable value to the future of the republic. Instead of being a blind force of uneducated power, they become conservatives because they represent property.* They range themselves on the side of law and order. To many of them is thus exemplified for the first time the beautiful sentiment that

* It may not be out of place here to recall a passage in Mr. Mackay's book, "The English Poor," in which this tendency of the wage-earning masses towards economic independence is fully and ably set forth: "The first lesson in thrift, the first inducements to rely on property, the first

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has come down the centuries, "Bear ye one another's burdens," and they find pleasure in expressing it in this practical way. As these persons rise in the social scale and become supervisors, inventors and proprietors in the world's great affairs, they will increase their insurance, and thus become patrons in an enlightened sense of the companies which practice the ordinary methods. There is therefore no clashing of interests between the two plans of conducting the business, but rather a mutual helping of each other forward toward an ever enlarging success.

Largely no doubt in consequence of the liberal concessions made to its policy-holders and the consequent material improvement in the Industrial contract as a permanent form of insurance protection, The Prudential made exceptional progress in new business during the year 1892. The net increase in Industrial policies in force reached almost 300,000, equal to 21.6 per cent. over the preceding year. The total number of Industrial policies had reached 1,653,465, while in the Ordinary department 8,120 policies were in force. In the finances of the Company corresponding progress had been made, and the surplus to policy-holders now exceeded \$2,200,000. The successful ending of the year's business operations proved a fitting climax to the removal of the home office from the building which it had occupied since 1883 to the new home-office building on the corner of Broad and Bank streets. Unknown as a business method less than seventeen years before, The Prudential had developed Industrial insurance to such an extent that by 1892 the largest office building in the State of New Jersey was required for transacting the business of the Company. In honor of the event a celebration took place during the latter part of November, referred to in the *Standard of Boston*, under date of December 3, 1892, in the following words:—

The Prudential Life Insurance Company of Newark gave a treat to its agents located within a radius of 100 miles of the home office Thursday and Friday. The affair was in the nature of a house-warming, the first since

motives to refrain from consuming wages on the day they are earned, arise from the desire of men to provide against the uncertainties of an unknown morrow, and for the inevitable period of sickness and old age. Our poor law and the ubiquitous philanthropist have done their best to prevent the poor man from the necessity of yielding to this desire. * * * * But the individualistic instinct is not so easily killed, and notwithstanding the snare, there is among the poor a latent, steady and withal effectual tendency to return to the true type of individual independence and self-assertion."

the Company's building on Broad street had been occupied. The festivities were inaugurated with a banquet at Delmonico's Thursday night, at which all the officers and their immediate attaches participated.

The influx of agents did not begin from the suburban districts until yesterday morning, and by 11 o'clock there were fully two thousand stationed in front of the Broad street edifice, having been brought to the city by the early trains. The insurance excursionists were primed for a good time, having fine military bands with them that served to arouse all Newark within a distance of three miles of the Prudential office. After an inspection of the building, during which President Dryden addressed the visitors from the monster balcony within that overlooks the entire office on the ground-floor, the agents were ordered to fall in and the march was taken up to Saenger-Fest Pavilion in Caledonian Park. On the way they were reviewed by Mayor Haynes. The agents sat down to an elaborate ox-roast on reaching their destination. Another speech was made by President Dryden at the park after the repast, and the delegates returned to their homes in the evening pronouncing the affair a monster success.

The proportions which the business of The Prudential had assumed by January 1, 1893, made it not only desirable but necessary that the capital stock of the Company should be considerably increased. Accordingly during the early part of the year new stock was issued, which increased the capital of the Company to \$2,000,000.

In compliance with a distinct demand the Company this year through its Ordinary department placed a Child's Endowment policy on the market, to enable parents to make a provision for the education, support or assistance of children at the age of eighteen years and over. Similar efforts had previously been made in this direction in this country, but no substantial results had been attained. As far back as 1853, Dr. E. J. Tilt had discussed the question of life insurance for children at considerable length and furnished tables of rates which, no doubt, were adopted by some of the companies transacting insurance at that time,* but the inherent difficulties in making Child's Endowments applicable to the Industrial population are such that it is doubtful whether this form of insurance is ever likely to become very popular in this country. The Child Endowment policies of The Prudential are issued for sums as low as \$100, with premiums payable quarterly, semi-annually and annually.

* Elements of Health, and Principles of Female Hygiene, pp. 134, 135. Lindsay & Blakiston, Philadelphia, 1853.

CHILD'S ENDOWMENT. (WITH INTEREST.)

PREMIUM RATES PER \$100.

Amount of Policy with profits payable at age stated, and all Premiums returned WITH FOUR PER CENT. COMPOUND INTEREST in event of previous death.

PAYABLE AT AGE 18.

AGE NEAREST BIRTHDAY.	ANNUAL.	SEMI-ANNUAL.	QUARTERLY.
1	\$5 08	\$2 64	\$1 35
2	5 49	2 85	1 46
3	5 96	3 10	1 58
4	6 50	3 38	1 72
5	7 12	3 70	1 89
6	7 85	4 08	2 08
7	8 71	4 53	2 31
8	9 75	5 07	2 58

In the event of the death of the child before the expiration of the Endowment period, all the premiums paid on the policy are returned to the parent or guardian with compound interest at the rate of four per cent.

In compliance with a request from the *United States Review* of Philadelphia, Mr. Dryden this year contributed a valuable and interesting paper on "Industrial Insurance as an Educator." The article is too long to be reproduced in full, but the essential points are brought out in the following quotations:—

Industrial insurance does not cease its efforts for the education of the people at the time when the policy is taken, for it must be remembered that the premium is not sent to the Company by the insured, but that the agent calls at the house of the policy-holder week after week. This tends to keep the subject before the mind, and very frequently questions are asked and the subject is broached by neighbors who are calling at the time the collector is announced, and, moreover, the literature of the Company is left regularly as the agent calls, so that the person is kept informed in regard to the various phases of life insurance, the different arguments for it, illustrations of its value, and also of the disadvantages of being without it; so that the tendency is to continually deepen the impression which was made at the time the policy was taken.

One feature of this work merits particular attention, namely, its effect upon the young. In consequence of the industrial agent's work, boys and girls grow up in an atmosphere of insurance. They come to look upon it

as a matter of course ; to think of it as something to be provided, the same as every other necessary of life, regularly and constantly. They hear the subject discussed by their parents after the agent has called ; they know when a decision is reached and in many cases understand that it involves self-denial, and they appreciate its importance accordingly. They see the policy and premium receipt-book and know what they are ; and they see the money paid out. In answer to innumerable questions the parents explain to them the reasons for the outlay and the advantages of it ; and this is done, not in the parlance of the agent, but in the language of the parent, which is the expression of a mode of thought very little different or but slightly removed from that of the child. Thus, the boy or girl involuntarily and intuitively imbibes insurance.

It may be said that this process of education is confined to a certain class, and that it is circumscribed in its influence ; that it works amongst those whose surroundings, mode of life and limited sphere in which they move make it impracticable, if not impossible, for them to do much towards extending the education thus gained. This is not the country in which to hold such a theory. It is here that the poor boy of to-day becomes the millionaire of a few years hence ; that the cabin of the canal-boat is exchanged for the White House, and the rail-splitter becomes President. The history of this country teaches, as clearly as anything else, that the masses amongst which the work of Industrial insurance is done produce many men who are a power in society. There are boys who are now in families where industrial policies are held, some of them carrying insurance on their own lives, who are fast approaching the editorial chair, and it will not be very long before some of those who are now taking their first lesson in insurance from an industrial policy and premium receipt-book, will be seated in the State Legislatures or in the halls of Congress.

This view of Mr. Dryden is fully supported by the increasing popularity of the system of Industrial insurance among the new generation who have become familiar with this form of insurance during their earliest infancy, and perhaps in no case has the educational value of Industrial insurance been more fully recognized than in the article of Mr. Holway in the *Arena*, where he properly refers to it as the "A, B, C" of American life insurance.

These views found their further support in the very considerable progress that had been made by Industrial companies in the Ordinary field. The larger proportion of Ordinary risks on the books of Industrial companies represent a class of people who would not generally be solicited by the agents of regular Ordinary companies. To illustrate this fact I may state that the average amount of an Ordinary policy written by the three leading Ordinary life companies during 1898 was \$2,138 against an

average policy of only \$1,120 written by The Prudential in its Ordinary department. *That this extension of Ordinary insurance principles to the masses is the direct result of Industrial insurance will not be questioned by any experienced life underwriter.*

The commercial and financial depression of the year 1893 brought about such widespread distress among the wage-earning population in consequence of the numerous failures and the stoppage of work in a large number of industries that it was but natural to expect that, among those insured with Industrial companies, many would find it difficult to pay the weekly premiums on their Industrial policies. As soon as the gravity of the problem became apparent, steps were taken by The Prudential to mitigate the inevitable distress as far as it was possible for the Company to do this in justice to the best interests of all the policy-holders and the future welfare of the Company. Accordingly, under date of November 1, 1893, a circular letter was issued by the Company over the signature of Mr. Dryden, in which lapsed policy-holders were granted concessions without a parallel in life-insurance history. The circular letter is referred to at length in an article, in which the most important sections were incorporated, in the *Baltimore Underwriter* under date of November 20, 1893, and which I therefore quote in full :—

Under the operation of the forfeiture system in case of lapses of policies for non-punctual payment of premiums, so much hardship was occasioned, that the life companies were forced by public complaint to adopt more liberal measures. Enforcement of the stipulations of an iron-clad contract, though strictly legal, was not considered by the sufferers as even-handed or equitable. It might be just, but it was anything but generous. Hence the non-forfeiture features which have been conceded from time to time, and which have abolished the provisions and restrictions to which reasonable objection was made.

In line with this growth of liberal spirit, and in view of the straitened and pinched condition of the great army of the unemployed during a long period of financial stringency, of closure of mills and factories, and of strikes against reduction of wages, The Prudential Insurance Company of America has issued a very important and noteworthy circular, a copy of which will be found on another page. The constituency of industrial insurance is mainly drawn from the humble classes of life, to whom in a period of non-employment the payment of five or ten cents a week out of slender savings may mean serious privation. When the savings are exhausted and no wages coming in, they are obliged to lapse their policies, and lose thereby the provision made for the rainy day. With the experience before them of such sad results of hard times, the managers of the

Prudential have come forward to befriend distressed policy-holders in the most effective way. Three concessions are made as follows:—

1. If the policy has been in force as an "adult policy" for five years or more at the time premiums ceased to be paid, a paid-up policy will be granted in accordance with the terms and conditions of the provision for paid-up policies published on the back of "regular industrial" policies now issued by the company.

2. In lieu of the foregoing, policy-holders who have paid premiums for one full year or more at the time of lapse may take out a new policy at the present age, and the same will be put in full immediate benefit.

3. Proofs of death may be filled out and submitted in the usual way in any case of death happening between June 1st last and November 6, 1893, if policy has been in force for five years or more on the life of the insured and has been lapsed since June 1st last, in consequence of the hard times. If the claim is correct in every respect, except with regard to the policy being lapsed for the cause aforesaid, it will be recognized and paid in accordance with the terms and conditions of the provision for paid-up policies heretofore referred to.

These offers of restoration will not only be welcome to the thrifty on the lapse list, who can ill afford to lose what they have paid in, and who feel keenly such deprivation of the provision against future contingencies, but they will be hailed with satisfaction by all who are interested in the successful working of the industrial insurance system, which they regard as virtually and substantially the best form of "organized charity" yet devised. Not the least in gratitude to the managers will be the field workers, for the double reason that it will give them especial pleasure to engage in the work of restoration, and that it will give them a handle and impetus in canvassing for new business, the value of which is beyond estimate.

The value of these important concessions can not be estimated in mere dollars and cents. It far exceeds the actual cost of these concessions to the Company which was liberal enough to make them, for they have done much, if not most, to make clear to policy-holders and the outside world that, although The Prudential is not a charitable or philanthropic agency in the sense that these terms are usually understood, it is nevertheless a Company ready to deal liberally and equitably with its policy-holders to the extent of its ability in an hour of emergency or need. It would be easy to fill pages with letters of gratitude which reached the Company in large numbers, expressing the appreciation of those who, contrary to their expectations, did not forfeit their insurance in consequence of the critical times during the latter part of 1893 and the early part of 1894.

I can not do better than quote from the *New York Insurance Journal* for November, 1893, the statement that—"When

we consider the magnitude of the concession, which may embrace many thousand policy holders, so widespread is what we may term industrial idleness, that the proposition may be well described as unexampled in the history of life insurance, and probably reaches that extreme of security that is compatible with the fundamental principle upon which the institution is founded, that of reproductiveness and self-support. But under the pressure of such circumstances, and in behalf of such a clientele, we question if sentiment would be open to reproach should it be found to have made a slight trespass upon actual foresight."

At the time when the concession was made the Company hardly expected the financial stringency to continue as long as subsequent experience proved to be the case, and hence an extension of the concession was made necessary under date of December 10th, and communicated to the public and the field force in the following words:—

The first of the concessions of November 1, 1893, gave to the holders of Adult policies on which the premiums had been paid for five or more years the privilege of applying for a Paid-up policy, in accordance with the terms and conditions of the provision for Paid-up policies printed on the back of the present Regular Industrial policies of the Company. *Until further notice this concession will be continued by the Company.*

If ever an unwarranted charge had found its own refutation it was true in this case. The accusation which had so often been brought against Industrial insurance companies, namely, that they desired, encouraged and profited by lapses, was here disproved by the practice of The Prudential, which did all that in safety could be done to reinstate lapsed policy-holders and to make forfeitures, which could possibly be avoided, unnecessary by a prudent liberality. This view was so well expressed in an article in the *Weekly Underwriter* of November 11, 1893, that I can not do better than conclude these references to the concessions of 1893 with the following quotation:—

No business can long endure which takes advantage of technicalities to grind the face of the poor. While life insurance can not be conducted without premiums, and while rules must be maintained which are known to be sound business-rules in ordinary times, there are exigencies in the lives of individuals and corporations, when the highest regard for the welfare of each demands a temporary departure even from principles which are regarded as fundamental. Insurance companies do not thrive on the profits from lapsed policies, as many ignorant people suppose, but on the steady and long-continued payment of premiums. This is especially true of

industrial insurance, where it takes years of hard work to build up a paying business.

It must be apparent to the careful student of Industrial insurance history that, from the date of the organization of The Prudential, Industrial insurance had not only made constant and material progress in the extension of its operations, but that there had also been a corresponding increase in the public appreciation of its beneficence, not only from the standpoint of the individual policy-holder, but also from the standpoint of the taxpayer and citizen interested in the diminution of public burdens. It is rather curious to observe that, in the face of these facts, attempts continued to be made to interfere with the legitimate functions of the business. While some of the most important attempts at adverse legislation have been referred to, others were made in different parts of the country, which, however, as a rule, proved equally unsuccessful. Wherever the business was widely known, as in New Jersey, New York, Pennsylvania or Massachusetts, it was naturally only a question of publicity and argument to make clear the absurdity and iniquity of the unfounded charges against the business. A successful attempt at adverse legislation was made this year in a western State, where The Prudential had only recently commenced business operations, and where, therefore, an extended knowledge of the true objects and results of Industrial insurance was out of the question. A bill was introduced in the Colorado Legislature during the early part of 1893, at the suggestion of the Colorado Humane Society, to prohibit the insurance of children under ten years of age.

A brief hearing was given before the Insurance Committee of the Legislature, and in response to a request for information, with special reference to the question of insurable interest, the following facts and comments were placed before the Committee* :—

It may be asserted that a parent has no insurable interest in the life of a child. We contend that the industrial classes have the moral and legal

* An interesting case bearing on this point was tried in Anderson, Ind., a few years ago, in which the value of a child's life, its earning capacity, etc., were brought to the attention of the jury in a suit for damages for fatal injuries. According to the court records the value of a child's life, at age four, was given as \$149.50; at age seven, as \$600; at age ten, as \$980; at age fifteen, as \$2,600; and finally at age eighteen, as \$4,200.

right to insure their children, for it is well known that these children contribute to the support of their families at very early ages, so early, in fact, that in New York, Connecticut, and other States laws have been passed making thirteen the minimum age at which children should be employed in manufacturing establishments. Meanwhile, they are supported, educated, and taught a trade in that view.

There is a just and reasonable expectation of advantage or benefit from the continuance of their lives, and it logically follows that a proper justification inheres in the parent to protect that benefit while his child is insurable, and before sickness, accident or other causes interpose.

As to its legality, the highest tribunal in the land, the Supreme Court of the United States, has gone farther than is here indicated by announcing that "it is not necessary that the expectation of advantage or benefit should be always capable of pecuniary estimation, for a parent has an insurable interest in the life of his child, a child in the life of his parent, a husband in the life of his wife, and the wife in the life of her husband."

In *Warnock vs. Davis*, U. S. S. C., it was held that "the natural affection in cases of this kind is considered as more powerful, as operating more efficaciously to protect the life of the insured than any other consideration."

Again, *in re Phoenix Life Company vs. Bailey*, U. S. S. C., it was held that "there is an insurable interest if it appears that the relation, when of consanguinity or of affinity, was such as between the person whose life was insured and the benefit named in the policy as warrants the conclusion that the beneficiary had an interest, whether pecuniary or arising from dependence or natural affection, in the life of the person insured."

Unfortunately for the best interests of the people, the bill was permitted to become a law. Those who were most interested in its passage had no opportunity to express themselves and had no means whereby they could make public their views. It is true that the Insurance Department of the State expressed itself in favor of Industrial insurance, it is true that a number of the more intelligent and influential members of the Legislature argued fully the people's side of the case, but the fact that the business was new, that it was represented in only two or three counties of the State, and that the majority of the members were absolutely unfamiliar with the subject, outweighed the argument in favor of the companies' side of the case. How far the members of the Legislature were misled by foolish and absolutely untrue statements on the part of those who were not in favor of the bill is best illustrated by an article in the *Denver Times*, from which I quote the following passage:—

The system has been driven out of almost every city in the Union where it attempted to do business, and has drawn upon itself the sworn

hostility of societies for the prevention of cruelty to children, since it has proved to be the cause of much abuse to youths of tender age. Not a word can be said in its favor, and much can be charged to its account as an open avenue to fraud and crime.*

The system had not only *not* been driven out of a single city in the United States, it had *not* only never been prohibited in this country or in England, but, on the contrary, it had been rapidly extended into all parts of the country, into Canada, into Australia and even into the Cape Colony of South Africa. Wherever the English people are developing industrial communities, this form of insurance, either in the form of Friendly Societies or of Industrial companies, is rapidly increasing in popularity and public appreciation. There was therefore no warrant for the statements made by the *Denver Times*, and they can only be explained as having been put forward for partisan reasons. Once on the statute book, the Colorado law naturally became very difficult of repeal, and, though an effort in this direction was made during the session of 1899, to which reference will be made further on, the attempt failed because of the work of a small minority, who once more had neither public opinion nor a single iota of fact to support their antagonism to the business.

A very interesting and valuable contribution to life-insurance literature was made this year by Dr. Edward H. Hamill, the Medical Director of the Company, who, at the Insurance Congress of the Chicago World's Fair, read a paper entitled "Observations Regarding Risks Declined by The Prudential Insurance Company of America, 1888-'92." By an entirely novel and original method, Dr. Hamill had succeeded in keeping a record of the mortality of rejected lives in the Industrial department of the Company's business, and for the first time in life-insurance history actual information pertaining to this class

* A still more pertinent illustration of the perversion of facts pertaining to the business of Industrial insurance, on the part of those who are opposed to the insurance of children, is to be found in the Seventeenth Annual Report of the American Humane Association, where it is stated that The Prudential Insurance Company had children insured in Colorado for sums as high as \$25,000. As a matter of fact the Company had not then and has not now a single policy in force, on a child under ten years of age, for one-hundredth part of the sum mentioned.

of risks was supplied for a number of cases large enough to warrant the conclusion that the medical examination of Industrial risks was sufficiently accurate and satisfactory to protect the best interests of the Company. The Prudential Insurance Company is the only life company in existence collecting information of this kind, and the investigation having been continued, the data are now much more complete and of greater determining value.

CHAPTER XIII.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
1894-1896.

During the early part of 1894 The Prudential Insurance Company made an important change in its Industrial contracts, as to the amount of benefit payable during the first few months of policy duration. It had been the early practice of the Company to grant full benefit under Industrial policies after a period of three months of policy duration, but in 1877 this practice was changed and the benefit was made one-quarter of the total amount of insurance when the policy had been less than six months in force. Subsequent experience proved that this provision was somewhat too liberal, largely because of the fact that a considerable amount of adverse selection was possible under the rules of the Company, by which at that time no medical examination or inspection was required on policies for less than \$200. Accordingly, under date of October 6, 1884, a further change was made and no benefit was payable during the first three months of policy duration; in other words, if the policy-holder died during the first three months, nothing was to be paid by the Company. After a little more than ten years' experience, it was once more decided to make a change by providing a more liberal feature, and this year (1894) a provision was incorporated in the Industrial policy by which only one-third of the total amount of insurance insured for under the policy was payable if death occurred during the first six months of policy duration. This concession of an immediate benefit was a decided step in advance, since hardship often resulted in cases where death occurred during the early period of policy duration.

Due largely, no doubt, to the many liberal concessions which had been made by the Company to its policy-holders, the year 1894 proved to be the greatest business year in the Company's

history. In consequence of the after effects of the panic of 1893, an increased proportion of the industrial population was forced to consider more seriously the question of a small life-insurance provision against contingencies likely to occur at any time. Private charity, ever ready to help, assist and ameliorate the condition of unfortunates at the hour of death, is naturally very much restricted during years of panic and widespread financial or industrial depression. Hence, during 1894 large numbers who would otherwise have relied upon private charity or public support realized the necessity of individual provision by life-insurance methods against the contingency of death, the expenses of the last illness and the immediate support of dependents. It had well been said by the *Spectator*, under date of March 22, 1894, that "The more the view of the Industrial companies being charitable organizations is advanced, the less likely are many people to take out policies; for they would not accept charity and would resent the appearance of the agents if they had the wrong idea of the business." Neither The Prudential nor any other Industrial company ever attempted to create the impression among the industrial population that Industrial companies were charitable institutions. Rather to the contrary, the agents of the Company had, from the very beginning, preached thrift and independence to those with whom they came in contact in the discharge of their regular duties as canvassers and collectors.

It is to these causes that I would attribute the immense success of the Company during the year 1894, when under ordinary conditions a decrease in business should have been expected rather than an increase. In the Industrial department during the year 1894, The Prudential issued 1,696,847 policies for an aggregate sum of \$205,128,000, while in the Ordinary department 12,245 new policies were issued for an aggregate amount of \$13,873,000 of life-insurance protection. The results attained in the Industrial department were so far out of proportion to what had previously been achieved that it is doubtful whether the record of 1894 will be exceeded during any business year in the near future. This view of the success of 1894 is brought out in a discussion on the outlook for the year in the *Spectator* of January 11, 1894, from which I quote as follows:—

The statements of the various industrial companies will be published in a short time now, and then it will be seen what remarkable progress, in

face of the prevailing depression, has been made. And this brings us to a point on which it is right to dwell a little. The history of industrial insurance in Great Britain shows conclusively that in time of stringency, when the outlook of the people who had to depend on their day's earnings to supply the day's needs was unfavorable, the companies made large increases. The reason for this is obvious to the thinker, the agents' field of operation in certain lines was narrowed because they could not get money where money was not, and so they canvassed the class of people who were less affected by the hard times, and there found their opportunity. The lessons of the times had been impressed on the minds of the public; those who in the season of prosperity turned a deaf ear to the agent's entreaties saw instances every day where the life insurance would have remedied the trouble brought on families by the death of some one who contributed to the funds of the household, and when the agent called again his argument had more telling effect. This is the first time since the inception of the business here that those interested have had to deal with financial panics of magnitude, and it is to be hoped that a very long period will elapse before a like experience is forced upon us. The field men have discovered their opportunities for doing effective work now, and the extraordinary volumes of business turned in of late indicate the possibilities of the present year if labors be rightly directed and continued.

Another element of considerable importance in making for the increasing growth and prosperity of the Company was, no doubt, the publication, during the early part of the year, of the report of the Commissioner of Banking and Insurance of the State of New Jersey on the financial and general condition of the Company. Without going into the details of this report, I confine my remarks to a brief reference to the subject as published in one of the Newark (N. J.) newspapers during 1894:—

It will be seen that the Commissioner endorses unqualifiedly the methods of The Prudential. This could not be otherwise, for the business has always been conducted in such a way as to merit the approval of all who have known anything about it. Not only so, but the Company's dealings with its policy-holders have been more than fair. It has been liberal in the extreme, as was shown both last November, when it made such liberal concessions to its policy-holders who had been compelled to cease paying their premiums, and also in January of the present year, when it introduced several new features, every one of which was of great advantage to the insured. The amount of good which this Company has done can not be indicated in any report and, in fact, it is almost impossible to ascertain what it has accomplished unless one should be able to interview every one to whom a claim has been paid. In this way a mass of testimony to the advantages obtained by Prudential policy-holders would be secured which would fill volumes.

Still another powerful factor influencing public opinion is to be found in the publication this year of a special report of the Deputy Superintendent of Insurance of the State of New York, on his examination of another great Industrial company, the Metropolitan Life Insurance Company, of New York. Mr. Michael Shannon, as Deputy Superintendent of Insurance, made special reference to three important aspects of the practice of Industrial companies, and from the report I quote, first, his views as to the expense-rate in Industrial insurance :—

It may not be inappropriate for me to allude, as a plain matter of justice to this business, to the fact that industrial insurance being, as before said, distinctive and essentially unlike in practice that of the other life-insurance companies, ratios and comparisons based upon the records of the latter may be deceptive and misleading. It is obvious, for example, that in the matter of expense no just comparison is possible. In the ordinary companies the premiums are due once, twice, or four times a year, and a large proportion of them, in answer to notices, is sent by the assured direct to the company, or to its local office or agent. Under the industrial plan the premiums are invariably called for, by the agent, at the expense of the company, fifty-two times a year, and even more frequently. When death occurs, the proofs are prepared by the company's representative at the company's cost, and the proceeds of policies are taken in the same way to the beneficiary. In these, as in all its features, the difference is as obvious as between any wholesale and retail business. The multiplication of machinery here means the multiplication of expense, and that expense falls to the company.

To these remarks on the vexed and complex question of the management expenses of the business, I add the following remarks from Mr. Shannon's report in regard to lapses :—

Criticism is sometimes thoughtlessly or ignorantly made in the matter of lapses. Why do so many withdraw? Investigation shows that lapses in this form of insurance are of quite a different nature from those in the ordinary lines. When a policy-holder withdraws from a [Ordinary] company, usually he stays out permanently. He takes his paid-up policy, or his surrender value, or forfeits his insurance altogether, as the case may be, and that ends the relation. But a vast proportion of those who lapse in the industrial come back. Numberless causes conspire to force them out, such as wide-spread commercial depression, the shutting down of mills and factories, the failure of employers, strikes and other labor disturbances, and enforced idleness from various causes. When they resume work they revive their policies, which they can do within a year, or apply for new ones. Thus they come and go; thus the process repeats itself. Nor will the fact be overlooked that the opportunity to lapse occurs once, twice, and at the

most four times a year, in the ordinary companies, while the occasion presents itself fifty-two times a year in the industrial.

To this straightforward statement of another complex aspect of the business of Industrial insurance, Mr. Shannon added the weight of his official opinion in reference to the expediency of insuring the lives of children, which I quote in full as follows:—

Still another reference to which I deem it almost unnecessary to allude, and which I do only to give this report the utmost comprehensiveness. I allude to the imputation (occasionally put forth by those who can not have given the records of the business any investigation) that the embracing of small infantile insurances in the industrial plan is subversive of public policy—in brief, that it leans toward possible infanticide. This is a monstrous charge that no person should make without proof. The facts are that the proportion of infantile claims paid during the last year was but 4.3 per cent. of the total amount. This matter has been before the legislatures of various states, and before numerous humane societies. Committees have been appointed to investigate. Searching and exhaustive inquiries have been made, and in no single instance has the imputation been sustained. Carefully collated statistics prove that the mortality among the insured minors is less than the mortality of the general infantile population. Out of more than twenty millions of industrial policies issued in this country, but one case coming under this indictment has occurred, and that was the instance of a mother who did away with all her family, including the husband upon whose life she depended for support! That was manifest insanity.

Across the water *professional agitators* have, from time to time, influenced parliamentary investigations, but in every instance the conclusion has been that no legislation or other interference was in any wise necessary or expedient. *The State of New York has put its seal upon this matter by specifically providing for the business of infantile insurance in its insurance code. Like action has been taken in the Dominion of Canada.*

Mr. Shannon's remarks with reference to the expense-rate, the lapse-rate and the insurance of children are fully applicable to The Prudential Insurance Company, as well as to all other companies transacting an Industrial business. Where such unanimity of unqualified official opinion prevails, it would seem little short of criminal indifference on the part of those unfamiliar with the practice and results of Industrial insurance to continue in attempts to interfere with the business in one respect or another.

The efforts in opposition to Industrial insurance may be divided into three distinct groups: first, those relating to the

discrimination made against negroes, in granting to them only two-thirds of the benefits granted to white policy-holders ; second, those relating to the practice of the companies in accepting small risks on the lives of children for burial purposes and the cost of the last illness ; third, those relating to miscellaneous matters dealing with the practice of the companies as regards lapses, surrender values, immediate benefits, etc.

The opposition to the companies' practice as regards discrimination against negroes originated partly with the sentimental element of the population, acting on the unwarranted assumption that the companies made this distinction on account of color prejudice, when, as a matter of fact, the distinction was based solely on the observed difference in mortality between the two races, pointing to an inordinate disease prevalence and an excessive death-rate among the colored population.

As regards the practice of insuring the lives of children, prohibitive measures had, almost without exception, been introduced at the instance of individuals connected with societies for the prevention of cruelty to children or other so-called humanitarian bodies. There had never, in a single instance, been proof of abuses actually connected with this branch of the business ; no cases had been produced tending to show that children had actually been murdered for the insurance payable at their death, or that they had, in any manner or way, been ill-treated with this end in view. Arguments in favor of prohibiting the business had almost invariably been based on English references to the subject, where, again, cases which were brought forward as facts were, as a rule, fabrications or imaginary instances of neglect. The companies, on their side of the argument, had presented facts tending to prove that insured children lived longer than uninsured children, and they further could point to their vast experience as proof that, out of the millions of years of child life which had been observed by Industrial companies, not a single instance of foul play or murder for insurance money had ever come to their notice ; and they could add the statement, which holds good to-day as it did then, that never in the history of an Industrial company had a case been proved where a parent had been convicted by a jury for having deliberately murdered a child for the sake of the few dollars receivable at its death for burial purposes. Nevertheless, continued efforts were made in 1894 to prohibit the insurance

of children in the States of Connecticut and Tennessee, as well as in other States, but after a fair presentation of the facts no laws restricting the companies from transacting this form of insurance were passed during the year, nor have any such laws been passed since that time.

In Colorado, where such a law had been passed in 1893, The Prudential had at once discontinued writing insurance on the lives of children under ten, although the decision had been rendered by a district court in the city of Denver that the law itself was unconstitutional. If the question is asked why The Prudential Insurance Company did not carry this point to a higher court, or possibly to the United States Supreme Court, the answer is that the Company prefers to abide by the will of the people, and if the majority of the Legislature decide that this form of insurance shall not be transacted, the Company is willing to abide by the decision. Evidence is not wanting tending to show that after the law had been passed many of the more intelligent members of the Legislature recognized the inexpediency of the measure, and it may not be out of place in this connection to quote a remark from the annual report of the Insurance Superintendent of Colorado for 1894, in which the view that the transaction of this form of insurance is not detrimental to public policy is fully accepted by one qualified as Insurance Superintendent to express an opinion on the subject:—

This kind of insurance is making vast strides and has almost reached the billion-dollar mark in amount of risks written. It is particularly the poor man's field of patronage, and vindicates the superior intelligence and discernment of the working class. The companies handling Industrial insurance rank high, and a breath of suspicion or distrust has never touched their financial fabric. As to the claim that Industrial insurance encourages child-murder and prompts the murderer's hand to despoil tender youth of life, we insist proof has never been brought forward sufficient to show that crime committed to secure insurance on a child's life has been nearly so frequent as crime committed to secure insurance placed on adult lives in old-line companies.

As regards so-called discrimination against negroes, further efforts were made this year to pass laws to prohibit companies from making such discrimination. An effort had been made in New Jersey during 1893, and a bill to this effect had been passed, which, however, had been vetoed by the Governor. In opposing

a measure to this effect introduced in the Legislature during the early part of 1894, The Prudential Insurance Company presented figures and facts tending to show that the Company would not be warranted in granting the same benefits to colored policy-holders as to whites. The Actuary of the Company furnished data from the Company's own experience, making clear the excessive mortality prevailing among colored risks, and it was shown that instead of discriminating against the negroes, the Company had, in fact, been more liberal towards this race than towards the white population. The Company, however, could not feel warranted in granting similar benefits to both races without doing an injustice to its white policy-holders, who would be compelled to pay for an unwarranted liberality towards negro applicants. The bill, unfortunately, passed both houses of the Legislature, and was approved by the Governor. The views of the Company on this subject were fully set forth in a letter dated September 5, 1894, to the editor of the *Indicator*, over the signature of the Vice-President of The Prudential:—

The Prudential began to issue policies November 10, 1875. From that date to April 1, 1881, the applications of colored persons were considered by the Company on the same terms and conditions as the applications of white persons. In the early part of 1881 it was discovered that the number of claims paid by the Company on the lives of colored persons, as compared with the total number of claims, exceeded the proportion which the colored business of the Company bore to its whole business. This led to an investigation into the Company's mortality experience amongst the two classes of risks (white and colored), and, although at this early period of the Company's history the number of colored persons on the books of the Company did not compose a body large enough to furnish data for an extended research, positive evidence was found, from the data at hand, that the rate of mortality amongst colored persons insured in The Prudential was considerably above the rate which obtained amongst white persons insured in the Company. While the office investigation was being carried on, health reports were obtained from nearly all of the large cities east of the Mississippi. In a number of these reports it was found that the mortality was recorded by white and colored lives. A tabulation of the contents of the reports which gave the mortality by races confirmed the conclusion arrived at from the office experience.

As the result of its investigations the Company decided to use a special table of benefits (amounts insured) for colored persons. In the case of adults (ages 12 to 70) this table gave one-third less benefit to a colored person than was granted for the same premiums to a white person of equal age. In the case of infants (ages 1 to 12) the tables gave to colored infants forty per cent. less benefit than the amounts granted to white infants.

Since 1881 the mortality of the Company has been carefully tabulated each year by white and colored risks. Each tabulation has confirmed the first investigation of the Company, and nothing has been discovered in our experience which has led us to modify the tables of rates determined upon at that time.

The following table shows the amounts which The Prudential has paid in claims for each \$1,000 of insurance exposed to risk of death on white and colored lives for the ten years beginning with 1884 and ending with 1893:—

LOSS IN CLAIMS PER \$1,000 OF INSURANCE EXPOSED TO RISK.

ALL AGES, 1-70.

YEAR.	WHITE PERSONS.	COLORED PERSONS.
1884,	\$15 27	\$18 75
1885,	16 04	22 47
1886,	17 90	24 44
1887,	16 59	21 49
1888,	16 60	21 68
1889,	15 45	21 43
1890,	17 11	21 49
1891,	16 71	21 44
1892,	17 91	21 32
1893,	17 34	21 89
Average 10 years,	\$16 96	\$21 63

But the high mortality amongst colored persons is not the only objectionable feature to the writing of life-insurance policies on their lives. We find, from our office statistics, that policies on colored lives lapse in far greater ratio than policies on white persons, and that the highest percentage of lapse comes within a very few weeks of the issuance of the policy. In fact, the greater portion of the colored business issued by The Prudential is not continued on the books of the Company long enough to recoup the Company for the initial expenses of getting the business. In many cases those who continue their policies do not seem to value them or lay much stress upon their possession. Numerous instances are found upon our books where policies on colored people have been lapsed and revived a dozen or more times.

As pertinent to this question, we might state here that within the past two or three years several States have passed laws compelling life-insurance companies to consider applications of colored persons on the same terms and conditions as the applications of white persons. Such legislation has been enacted notwithstanding that all the evidence pointed to the fact that the passage of these so-called anti-discrimination laws would constitute a serious menace to the life-insurance companies in case there should be a widespread demand among negroes for life-insurance policies. In the States

where such legislation has been enacted The Prudential will receive the application of a colored person under certain rules. Its agents, however, are forbidden to canvass for such applications, and no commissions whatever are paid on premiums collected from colored persons. In those States which allow discrimination between the two races, and in which The Prudential may consider applications from colored persons under its rules, we have recently issued instructions that our agents shall write only a small percentage of their whole business amongst colored persons.

This letter is not intended as an expression of opinion, personal or otherwise, with regard to the moral or the social conditions of the colored race. It is intended as a statement of the facts and conclusions which cause The Prudential to take the position which it does with respect to the colored race as insurance risks. Neither are any of the objections herein stated, except as to mortality, directed against that class of colored persons who are possessed of intelligence and thrift, and whose social and moral lives are such that they are a credit to the community in which they reside. It may be that if this class could be separated from the colored race as a whole the mortality amongst them might be considerably less than among the entire body; but we are quite sure that the mortality, even amongst the best of colored lives, would not compare favorably with the mortality amongst the whites.

LESLIE D. WARD,

Vice-President The Prudential Insurance Company of America.

In consequence of the New Jersey law, passed in 1894, The Prudential Insurance Company to-day makes no effort to obtain colored risks at rates which it feels would be prejudicial to the business as a whole. In this respect, however, the Company differs from some other Industrial companies, which still continue to solicit colored risks in more or less large proportions. With The Prudential this question has never been a matter of opinion, but a matter of thorough study, investigation and observation, and until facts to the contrary are forthcoming, tending to prove that the mortality of the colored race more nearly approximates the mortality prevailing among the white population, the Company is not likely to change its practice in dealing with this class of risks.

An effort was also made in 1894, in the State of New Jersey, to pass a law compelling Industrial companies to grant paid-up policies in event of lapse after three years. It has been pointed out that The Prudential had already voluntarily conceded to its policy-holders a five-year paid-up policy, and the Company opposed the measure on the ground that Industrial policies did

not warrant surrender privileges during the first few years of policy duration, in consequence of the large initial expense in transacting this form of insurance. The effort did not prove successful in 1894, but another attempt was made during 1895, when a bill to this effect became a law.

As has previously been pointed out, the Company, during 1894, had made enormous progress in the extension of its business operations, having gained an exceedingly large proportion of new policy-holders, increasing the total number of Industrial policy-holders by the 31st of December, 1894, to 2,256,014, for an aggregate amount of insurance protection of \$259,840,000. The net increase in policy-holders had been 314,481, equal to 16.2 per cent. over the preceding year. Here again it may be proper to refer to a point so easily misunderstood by those who have not made an extensive study of insurance methods. It will be observed, on comparing the net increase in business in force with the vast amount of new business written during the year, that, while over a million and a half of new policies had been written, only a net increase of a little over 300,000 policies had been made. This enormous difference is to be explained on the ground that in Industrial insurance every policy issued is counted for actuarial purposes, irrespective of the fact whether any money has been paid on the same or not. While the agent is required to collect the first premium, very often this is not done and the majority of policies which lapse for non-payment are new policies of less than six weeks' duration.

A large number of lapsed policies in Industrial insurance are merely a bookkeeper's statement made for actuarial purposes, and do not represent a material pecuniary loss to the public, but rather a considerable loss to the companies. Hence, the very large amount of new business written and lapsed during 1894 may at least be said to point to indirect benefits in the nature of insurance education, in that over a million people were made familiar with Industrial policies and Industrial insurance literature, even though they did not at the time consider it to their interest to keep the policies in force. They lost practically nothing in the few premiums which, in most cases, had been paid, and at least they had had an insurance protection extending over a period of the six weeks or more that the policy had actually been in force, since four weeks'

grace is allowed on every Industrial policy, and every possible opportunity is given for revival or reinstatement. The companies can not be charged with a lack of liberality in dealing with this class of policy-holders, or a lack of good judgment in attempting to extend as rapidly as possible its business operations in all parts of the country where offices have been opened.

In few instances has the good work of the Company been more emphatically recognized than in the New York *Independent* of December 13, 1894, where I find it stated that "*The Prudential Insurance Company of America has, to our way of thinking, done one of the most noble works of any corporation in the land. It is excellently well managed, and is rapidly increasing its business.*"

The year 1895 found the Company in an excellent financial position, with over \$13,000,000 of accumulated assets, with a surplus of almost \$3,000,000, and a rapidly extending Ordinary business, now reaching proportions exceeding the business transactions of a large number of companies established for more than thirty or forty years.

The year proved, in many respects, one of the most remarkable in life-insurance history. A large number of bills adverse to the interests of the insurance business were introduced into the Legislatures of many States. The Industrial business was seriously attacked, partly on account of policy conditions relating to surrender values,* largely on account of the practice of Industrial companies in accepting small risks on the lives of children. As has previously been stated, an effort had been made in the State of New Jersey in 1894 to compel Industrial companies to grant a surrender value after three years of policy duration. The effort had failed, but a new attempt

* Although Paid-up policies had been granted by The Prudential and other Industrial companies since January 1, 1892, even as late as 1896 a report published by the New York University Settlement Society contained a bitter and unwarranted attack on the business of the Industrial companies, concluding with the statement that "there are no Paid-ups in Industrial insurance." Even the most superficial investigation or inquiry at the offices of the companies would have made it clear that every policy issued since 1892, and by retroaction all policies issued previous to that year, contained a clause granting a surrender value in the nature of Paid-up insurance.

made during the early part of 1895 proved successful, and a bill to this effect became a law. Referring to this species of legislation, the *Insurance Monitor*, under date of April 1st, well said that—

The object of this law was to compel the payment of surrender values by industrial companies at the end of three years. It originated in 1893—as so many insurance measures have originated—with a member who had once been employed as an industrial agent, and who had had a personal grievance with his company. This man did not claim to have any such knowledge of the business as would enable him to decide what surrender values could safely be paid. But the surrender value of New York, which expressly relieved industrial companies from its operations, was copied in nearly all its essential features, and made applicable to this class.

The legislative committees were shown, not merely by figures furnished by the company, but by figures in the archives of the State, that there was absolutely no such fund in the possession of the companies as was assumed in the bill from which the surrenders could be paid. They were shown that any payments made must be taken from funds which, if they belonged to the policy-holders at all, were the property of those who had been longer insured. They were shown that all the objects aimed at in the bill had already been accomplished by competition, and that it was an attack on the interests of those longer insured. They were shown that the bill was directed against the institutions of their own State in the interest of outsiders. These committees and legislators were appealed to by some of the most influential men of New Jersey not to do this unjust thing. It was openly confessed by members of their own body that not a single sufficient reason had been shown for its passage.

In compliance with the law, The Prudential, under date of June 24th, issued the following circular letter for the information of its agency force and the general public :—

PAID-UP POLICIES.

All policies issued after July 1st will be subject to Paid-up Policies after three years' premiums have been paid, provided written demand is made for the Paid-up Policy within three months from the date of lapse.

In the case of Life Policies, Paid-ups will be issued either for the Whole of Life or for the Expectation of Life, as the person insured may elect. Tables of Paid-ups per \$100 of original insurance under the latter plan will be printed in the policy, as per present practice. In the case of Endowments, Paid-up Policies will be for proportioned parts, as at present; but the period after which a Paid-up may be obtained will be reduced from five to three years.

This concession will apply only to policies issued on and after July 1, 1895.

In the same circular letter it was stated that all policies issued after July 1st would be incontestable after two years, and a further

concession was made with respect to immediate benefits under infantile policies, which I quote as follows :—

IMMEDIATE BENEFITS.

It has been decided, with respect to the "Immediate Benefit" concession, to modify the Infantile contract to this extent: That the sum payable in case of death within three months from date of policy will be shown by the following table. After three months the present benefits will be payable. The benefits in the Colored Infantile Policy will be reduced in proportion. The benefits in the Adult Policy will remain the same :—

TABLE OF BENEFITS—FIRST THREE MONTHS OF INSURANCE.
FOR A WEEKLY PREMIUM OF FIVE CENTS.

AGES.											
	2	3	4	5	6	7	8	9	10	11	12
Infantile—White,	\$8	\$10	\$11	\$13	\$15	\$17	\$20	\$22	\$25	\$30	\$35

Mention has been made of an earlier concession to the policy-holders of The Prudential on policies designated as "Special Adult" business. Dividend additions had been provided for policies of this class issued during the years 1890-'93, of which the first fell due during the early part of 1895. Accordingly, under date of January 2nd, the Company issued the following circular letter relative to this class of policies :—

DIVIDEND ADDITIONS ON SPECIAL ADULT POLICIES.

At the end of each fifth year from the date of this policy, if in force, the sum hereby insured will be increased by an amount to be determined by the Company, and based on the surplus earnings from similar Special Industrial policies. Each Addition so made shall be considered as part of this policy, and subject to the same conditions and agreements.

In compliance with this agreement, we have this day decided to add Three (3) per cent. to the original amount insured under all Special Industrial policies issued in the year 1890 which contain the above condition, *the increase to apply on the fifth anniversary date of the policy, and not before.* For example, a policy of \$1,000 will be increased to \$1,030, and a policy of \$500 to \$515.

Although the evidence furnished by the documents from which I have quoted illustrates The Prudential's spirit of liberality in dealing with its policy-holders and its sense of caution in the management of the business, with special reference to

possible undesirable conditions, it is difficult to understand the large number of attempts at adverse legislation made during a year when the business of Industrial insurance had reached a sufficient degree of magnitude to be fully understood by legislators, as well as by professional agitators and others opposed to the business of Industrial insurance. It is something very considerably to the credit of the intelligence and honesty of the average legislator that, although numerous attempts were made to interfere with the Company's practice in accepting risks on the lives of children, no laws of this nature were actually enacted. Such attempts were made in Missouri, Idaho, Illinois, Michigan, Georgia, Tennessee and Massachusetts. Of these numerous attempts it is only the last two which require special mention.

In Tennessee an effort was made during 1895 to prohibit the insurance of children under twelve years of age. The Insurance Committee of the Legislature gave a number of hearings on the subject, and convincing facts were presented by the companies, on the basis of which it was not considered expedient to legislate adversely to the business. Without going extensively into an interesting phase of insurance legislation, I may add that, in response to a circular of inquiry addressed to a large number of well-known practicing physicians, charitable agents and health officers in the cities of Tennessee and Kentucky, asking for an expression of opinion on the subject of insurance of minors, numerous replies were received, all more or less strongly in favor of the system. The letters were presented to the Tennessee Legislature, and I quote a few of the characteristic statements to show what experienced and intelligent men thought of the business at the time: Dr. Edwin Hawes, agent of the Louisville Charity Organization Society, expressed the emphatic opinion, based on personal experience, that—"The result of my investigation was that I became thoroughly satisfied that Industrial insurance was a great blessing to the people. It has enabled great numbers, under my own observation, to bury their dead without having to call on the public for help as dependents on the city authorities. I have never heard of a single case where there was the least cause of suspicion of foul play in the sickness or death of an insured child." Dr. Thomas L. McDermott, President of the Louisville Academy of Medicine, stated that—"In my experience, which is large, I have nothing to say but to commend

the insurance of children, especially among the lower classes, as it really furnishes the means of securing medicines, burial, etc. I have not, in a single case, seen anything wrong in the management of these cases." Dr. R. L. Vaught, Professor of Anatomy, Chattanooga Medical College, stated that—"I have been engaged in the active practice of medicine in the city of Chattanooga for eight years, and among the people I have served professionally have been many who carried what is known as Industrial insurance upon the lives of their children, and I have never yet known of a case of abuse or neglect of such children by reason of a desire upon the part of the parents to secure the insurance money." Among others approving of the system were Dr. W. P. White, Health Officer of Louisville; Dr. F. S. Reynolds, County Health Officer of Memphis, and Mr. Thomas H. Taylor, Chief of Police of the city of Louisville. Mr. Taylor said that—"During the whole of my incumbency in office I have never known or heard of a case where parents or others were either charged or suspected of abuse or maltreatment of their children for the purpose of getting the proceeds of insurance on their lives. If such had been the case in this city, I feel sure it would have been brought promptly to my attention."

Influenced, no doubt, by the large body of evidence furnished by the Industrial insurance companies, the Legislature of Tennessee, after careful investigation, refused to interfere in any manner with the business of Industrial insurance.

The attempt made in Massachusetts this year to prohibit the insurance of children under ten years of age was, however, unquestionably the most determined effort ever made to interfere with an essential and integral part of the business of Industrial insurance companies. An organized and unusually determined effort was made by certain members of the Society for the Prevention of Cruelty to Children, and lengthy hearings were granted by the Legislature to both sides of the controversy.* Among others,

* The opposition to the insurance of children, on the part of this society, was in marked contrast to an earlier view expressed in the annual report for 1891, where it was stated that—"We find in English reports that parents are charged with insuring the lives of their children in order, by neglect, if by no worse crime, to destroy the child to secure the insurance. We have taken pains to inquire into this practice here, but have found no evidence of such intent, although many insure their children's lives and use the proceeds, in case of death, to provide for funeral expenses." (p. 11.)

Mr. Dryden appeared before the Insurance Committee and presented a comprehensive statement of carefully collected data and statistics tending to show that, as far as the Company had been able to learn, there was no evidence that the business was detrimental to public policy, but that, to the contrary, there was an abundance of proof tending to show that Industrial insurance was, in all respects, an agency making for the promotion of thrift and the general welfare of the industrial population.*

Mr. Dryden first called attention to the fact that the actual mortality experience of The Prudential, during the eleven years 1883-'93, of children aged one to nine had been more favorable than the expected mortality by the life table on which the Company's rates were based :—

COMPARISON OF THE PRUDENTIAL MORTALITY EXPERIENCE
WITH FARR'S ENGLISH LIFE TABLE.

AGES 1 TO 9.

AGE.	PRUDENTIAL EXPERIENCE, ELEVEN YEARS. (1883-1893.)	ENGLISH LIFE TABLE No. 3.
1	61.55	65.59
2	30.35	36.14
3	20.35	24.33
4	15.23	17.92
5	11.85	13.53
6	9.04	10.75
7	6.92	9.16
8	6.10	7.69
9	5.40	6.57

It will be observed that, at every age under consideration, the mortality experience of The Prudential was lower than that shown, by Farr's Table No. 3, to obtain among the general population. Mr. Dryden pointed out that it could not be argued that insured children represented selected lives, since the Company did not make use of medical examinations for children under the

* Those interested in the history and practice of Industrial insurance companies should address the Secretary of the Company for a copy of Mr. Dryden's "Statement," which forms one of the really important and permanently useful contributions to Industrial insurance history.

age of ten years. Rather to the contrary, a higher mortality of insured children should be expected, since the children of the general working population were subject to a much higher death-rate than the well-to-do or the rich. The argument was further supported by abundant statistical data for Massachusetts and other New England States, showing that there had been a very material decrease in the mortality of children since the introduction of Industrial insurance.

To clear away a very serious misunderstanding met with among those who had not studied carefully the question of Industrial insurance, Mr. Dryden pointed out that the average amount paid on claims on policies under the age of nine had only been \$24.74. I copy, in part, the table presented by Mr. Dryden to show the average amount paid on claims at various ages during the period 1890-'94 :—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.
CLAIMS PAID DURING FIVE YEARS (1890 to 1894) ON INFANTILE
POLICIES, AGES 1 TO 9.

AGE AT DEATH.	NUMBER OF CLAIMS.	AMOUNT OF CLAIMS.	AVERAGE CLAIM.
1- 2	3,934	\$76,645 00	\$19 48
2- 3	5,772	114,725 00	19 88
3- 4	4,091	91,768 00	22 43
4- 5	3,078	78,064 00	25 36
5- 6	2,417	73,895 00	30 57
6- 7	2,011 *	72,422 00	36 01
7- 8	1,607	68,529 00	42 64
8- 9	1,203	61,050 00	50 75
9-10	984	58,984 00	59 94

In commenting upon the table Mr. Dryden well said that "At the tender ages, when there would be danger, if danger existed, which we deny, the amount is so small as to be insufficient for burial expenses, to say nothing of medical attendance, medicine, and other necessary disbursements in such cases." *

* The cost of funerals varies with different localities. Customs and circumstances have much to do with the actual outlay, and it is very difficult to discuss the question of funeral expenses of children, on the

Additional proof that the insurance of children was not detrimental to child life was furnished by a table supplied by Mr. Dryden, which shows the comparative mortality of adults and children as to the expected and the actual loss for each group of risks :—

MORTALITY EXPERIENCE OF THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

COMPARISON OF INFANTILE AND UNEXAMINED ADULT POLICIES. POLICIES IN FORCE LESS THAN ONE YEAR.

Expected and Actual Loss on each \$1,000,000 Exposed to Risk of Death.

CLASS OF RISKS.	EXPECTED LOSS, FARR TABLE NO. 3.	ACTUAL LOSS.	RATIO ACT. TO EXP.
Adult,	\$12,741 00	\$13,447 00	105.5
Infantile,	15,617 00	13,046 00	83.5

From this table it is quite clear that, while the actual mortality of adults exceeded the expected mortality in the ratio of 105.5 to every \$100, the ratio of infantile claims was only 83.5 to every \$100 of expected loss. Hence, as far as the Company's experience was able to disclose possible detrimental conditions, it had clearly been proven, on the basis of actuarial testimony of unquestioned value, that the practice of the companies was not adverse to the interests of insured children or the general population. Mr. Dryden concluded his argument with a

basis of statistics, but it may be of interest to the reader to learn that in the city of Newark, N. J., the cost of burial, including the grave and what is usually looked upon as the common decencies, is \$25 at age one, \$35 at age five and \$50 at age ten. These amounts correspond very closely with the average sums paid at the death of insured children in the experience of The Prudential. In the city of New York the lowest cost of funerals for children under the age of four is stated to be from \$12 to \$18, but the actual average cost is no doubt higher, at least where a little more than the barest necessity is provided. If to these items is added the cost of the last illness and the extra expenses incident to a death in a family, it will be apparent that the amounts paid by Industrial companies, at the death of children, are not more than sufficient to meet the actual cost of burial and last illness.

number of quotations from an exceptionally able work on "The English Poor," by Mr. Thomas Mackay, to-day recognized as one of the highest authorities on English Poor Law administration and the social and economic conditions of the people.* Mr. Mackay considered the subject of Industrial insurance in an entire chapter of the work referred to, but I must needs limit myself to a few brief extracts which will indicate the results of his extensive personal investigations:—

It is not too much to say that the country owes a great debt of gratitude to these institutions. They have kept alive, during a very dark period of working-class history, some small interest in the principle of insurance, some respect for this valuable expedient of survival amid the dangers of civilized life.

The philanthropists complain that these insurances rarely provide anything more than a funeral benefit. But, we ask, have not these very philanthropists been parties to the conspiracy which has taught men that the State will give a pension to their wives and children when they die? *By a miracle the poor man's abhorrence of a pauper funeral has survived the machinations of the philanthropist.* On this not too hardy instinct of independence the commercial companies have had to work.†

With a fatuity which is almost incredible, well-meaning philanthropists have endeavored to disparage the work of these societies, because forsooth they adapt themselves to the necessity of the case and collect the premiums weekly by house-to-house visitation.

As has previously been stated, the subject was considered in all its bearings, the facts were fully set forth, the members of the Legislature were fully informed as to the merits of the controversy, and the proposed law prohibiting the insurance of children under ten failed of passage by the overwhelming vote of 149 members in favor of Industrial insurance against 23 members opposed to it. The conclusion is therefore warranted that this vote, following as it did upon the most extensive investigation ever made into Industrial insurance in this country, is a positive endorsement of the entire scheme of Industrial family insurance

* Published by John Murray, London, 1889.

† "We need measures which shall increase individual responsibility rather than diminish it; measures which shall give us more self-reliance and less reliance on society as a whole. We cannot afford to countenance a system of morals or law which justifies the individual in looking to the community rather than to himself for support in age or infirmity." (Arthur T. Hadley, "Economics," p. 63.)

as it is carried on at the present day.* That Mr. Dryden's remarks carried weight with those who were anxious to consider with justice and fairness both sides of the controversy is perhaps best illustrated by the following extract from the *Insurance Herald* under date of May 30, 1895:—

Of the literature which the contests evoked the statement of President John F. Dryden, of The Prudential, made before the Committee of the Massachusetts Legislature is the most valuable contribution to the general knowledge of industrial insurance and its progress that has yet been made. It is a complete answer to the sentimental charges that have been trumped up against the practice of insuring each child in the general scheme of family insurance. President Dryden's statement has been issued in pamphlet form, and a copy of it should be placed in the hands of every official connected with public and private charity organizations. These bodies could perform no greater work for the general good than to spread the practical gospel of industrial insurance among the poor as the stepping-stone to self-reliance and proper pride. By a careful study of the pamphlet they would themselves perceive the great benefit that industrial insurance is conferring upon the American people. Mr. Dryden deserves the thanks of all his colleagues

* The large majority vote cast in favor of the system of family insurance, and against a measure tending to prohibit an integral part of the business, is of special significance in this case. It has well been said of such public approval, when expressed by the vote of a decisive majority, that "To responsible politicians the course to be pursued will depend mainly on fluctuating conditions of public opinion. Restrictions will be imposed, but only when and as far as they are supported by a genuine public opinion. It must not be a mere majority, but a large majority; a steady majority; a genuine majority representing a real and earnest desire, and especially in the classes who are most directly affected; not a mere factitious majority such as is often created by skillful organization and agitation; by the enthusiasm of the few confronting the indifference of the many. In free and democratic States one of the most necessary but also one of the most difficult arts of statesmanship is that of testing public opinion, discriminating between what is real, growing and permanent, and what is transient, artificial and declining. As a French writer has said, '*The great art in politics consists not in hearing those who speak, but in hearing those who are silent.*'" (William Edward Hartpole Lecky, "The Map of Life," p. 140. Longmans, Green & Co., New York, 1899.) To these words of Mr. Lecky the writer would add that the masses, who as a rule have been silent when the most unwarranted charges have been made against their intelligence and morality, will not fail to assert themselves in a manner wholly unexpected by those whose slight knowledge of the people forbids a more intelligent appreciation of the efforts and struggles of the working people.

for his clear, direct and forcible demonstration of the public value of the scheme of family insurance which he represents in his great company.

A further endorsement of the practice of Industrial companies is to be found in the annual report of the Insurance Commissioner of Connecticut for the year 1895, where it is pointed out that—

Charges of gross neglect and even murder of children, for the sake of the insurance upon their lives, are of too serious a character to be overlooked. These charges, however, are as easy to make as they are difficult to prove, but until they are supported by proof they should have no influence upon our judgment. I do not know of any facts which prove such a conclusion, and I have been unable to find any case where a child has been murdered for the sake of the insurance upon its life. On the other hand, the testimony is that such insurance makes the parents thrifty and provident, and statistics show that the rate of mortality among insured children is less than the rate among children generally.

Other valuable contributions with special reference to the insurance of children were made this year by Dr. Hugh R. Jones, in his prize essay on the "Perils and Protection of Infant Life," published in the "Journal of the Royal Statistical Society," Vol. LVII. Dr. Jones concluded his observations with the remark that—"I have briefly reviewed the more important evidence existing on the subject. I have weighed, as carefully as I am able, all the information I have gathered. I have discussed the subject with medical men resident in districts where insurance prevails extensively, and my own conclusion is that the evils of child insurance have been unnecessarily exaggerated. * * * * The incentive to child-neglect and child-murder is not the prospective receipt of insurance money. * * * * Cases of neglect are more frequent, into which the element of insurance does not enter, than those upon which it is supposed to exercise influence." Other valuable papers on child life insurance were read by Mr. J. Moon and Mr. W. H. Aldcroft, before the Insurance Institute of Manchester, England, which also form valuable contributions to our knowledge of the subject.*

* Few men have had better opportunities to study scientifically the various aspects of the question of life insurance for minors than Mr. David Parks Fackler, for many years the Actuary of the New Jersey Insurance Department, Consulting Actuary to many life-insurance companies and one

The concensus of opinion of those who investigated the subject most carefully, and who relied upon the only basis of fact which should be taken into account in any legislation upon the subject,—that is, the statistical evidence supplied either by the companies or the government,—was therefore in favor of the practice of the companies, and it may be asserted with confidence that legislators and others will continue to take into consideration the evidence and the body of facts on which the Industrial companies rest their side of the argument.

The business progress of the year 1895 was, no doubt, partly interfered with by the large number of attempts at adverse legislation to which reference has been made. There was also a natural reaction after the previous year's operations, and the increase made in policy-holders during the year 1895 was materially below the average. However, while many other companies experienced a decrease in the total amounts of insurance in force, The Prudential succeeded not only in holding its own, but in adding almost 75,000 Industrial policy-holders to its already large number of patrons. Noting briefly the condition of the Company under date of December 31, 1895, the annual report states that the total number of policy-holders had now reached 2,330,741, for an aggregate amount of \$268,414,100 of Industrial insurance protection. In the Ordinary department the number of policy-holders had increased to 30,893 for \$34,716,055 of insurance protection. The finances of the Company were in an

time President of the Actuarial Society of America. Under date of March 19, 1895, Mr. Fackler addressed a long letter on the subject to the editor of the *Weekly Underwriter*, from which I make a brief extract:—

"I well remember how much concern I myself felt some fifteen years ago, when infantile insurance was first introduced in this country, lest it should prove an incentive to child murder, as is now claimed periodically by people all over the land.

"My own doubts on the subject were purely theoretical, and were entirely dispelled by the *a priori* considerations that the insurance on poor children may often be the means of saving their lives, because when they are very sick their recovery is often only a question of whether they can have proper medical attendance and nourishing food, and if the parents are very poor they may fear to incur desirable medical or other expenses, lest they should prove ineffectual and be followed also by a heavy funeral outlay. But when the child is insured there is little reason to fear about making the necessary expenditures, for if the doctor can do no good, all the expenses will be covered by insurance."

excellent condition, and considerable progress had been made in establishing more firmly the business already on the books of the Company.

The watch-word of The Prudential, as given to the field force in the annual address of the President, was concisely stated in the words that "*The business that stays is the business that pays,*" and more stringent orders than had ever previously been issued were sent out to superintendents, assistants and agents to put forth every effort to reduce the lapse-rate and encourage policy-holders to keep their policies in force. The year was one during which many internal improvements were introduced into the practice of the Company, which, however, for want of space, can only be briefly discussed.

With the beginning of the new year The Prudential introduced a number of new features in its Industrial policy contracts, the most important of which was a radical change in the table of benefits for ages under ten years. A copy of the new table is given below, together with the necessary explanatory information :—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

TABLE OF INFANTILE BENEFITS, FOR A WEEKLY PREMIUM OF 5 CENTS.

BENEFIT PAYABLE IF POLICY HAS BEEN IN FORCE FOR	AGE NEXT BIRTHDAY WHEN POLICY IS ISSUED.							
	2	3.	4	5	6	7	8	9
Less than 3 mos.,	\$ 8	\$ 9	\$10	\$11	\$12	\$14	\$16	\$20
More than 3 mos., but less than 6 mos.,	10	11	13	14	16	19	22	28
More than 6 mos., but less than 9 mos.,	12	14	16	18	22	26	35	50
More than 9 mos., but less than 1 year,	15	17	20	24	29	35	50	75
One year,	17	20	24	29	39	55	80	120
Two years,	20	24	29	43	60	85	120	
Three "	24	29	47	65	90	120		
Four "	29	51	70	95	120			
Five "	55	75	100	120				
Six "	80	100	120					
Seven "	100	120						
Right "	120							

Twice the above amounts will be paid for a weekly premium of 10 cents ; but no higher premium than 10 cents will be taken.

Under this table higher benefits were payable at the younger ages than had been the practice since 1887, when the last rate tables had been adopted, and the somewhat complex and involved points are best brought out in the following extract from the *Spectator* of December 26, 1895:—

The new infantile table gives larger benefits than under the existing scale, after the age of six years is reached, and finally the benefit increases to \$120 at age nine [ten next birthday]. This is the maximum amount purchasable for the five-cent premium. The conditions of benefits during the first year are such that those who were insured at ages below six and who are persistent in their payments derive more from their policies, in event of death, than the one insured later on at the advanced age. Thus, there is a reward for persistency under this plan which the previous policies did not give. * * * * The companies have done wisely in deciding not to accept a higher premium than ten cents on infantile lives, and must be congratulated on their decision to make it an object to insure when young, and keep policies in force because of their increasing value. The new arrangement as regards infantile policies is made retroactive when the amounts insured at the new rate are greater than under present policies.

The *Insurance Monitor* of 1896 also commented upon the change as follows:—

With the beginning of the new year a change was made in the rate tables of the industrial companies almost radical in its character. When this business was first introduced into this country from England, some twenty years ago, almost nothing was known of the distinctive mortality prevailing among our industrial classes. The chief reliance was on the experience of the British Prudential, aided by such general observations on mortality in America as were furnished by the census and the experience of the ordinary companies.

But neither of these two latter sources could furnish any safe guide for a business so exceptional in its character. Besides this, infantile insurance had never been attempted; there was no such thing as a reliable infantile mortality experience in America. Nor was it possible to say what would be the cost of conducting a business under conditions so widely divergent from those existing in England.

So it necessarily happened that the original rate tables were largely tentative. But being once adopted and found on the whole to harmonize fairly with existing conditions, they were naturally adhered to with minor modifications. The question was of less moment than it would otherwise have been, from the fact that industrial insurance is essentially family insurance. It takes the children with the parents and the premiums are paid by the old folks. An inequality of rates tends in a measure to adjust itself.

But this is true only in a measure, and the extent of the adjustment must depend on the distribution both of ages and policies in the family group. The companies have now secured an experience which can be relied on in the future, and, taking that experience as a basis, a far more liberal rate table has been the result at all infantile ages, while equity has been established as thoroughly as in the ordinary branch.

A very important point to which brief reference is made in the *Spectator* article was the voluntary restriction of premiums on lives under twelve to ten cents per week, irrespective of the fact whether the child had been insured with one or more companies. The clause which forms part of every Prudential Industrial policy reads as follows :—

This Policy shall be void if there is in force upon the life of the Insured an Industrial Policy previously issued by this Company, unless the Policy first issued contains an endorsement, signed by the President or Secretary, authorizing this Policy to be in force at the same time ; or if the person insured is under twelve years of age next birthday, and is now or may hereafter be insured while under such age in this or any other company, and the total premiums on such insurances shall exceed ten cents per week. If for any cause this Policy be, or become void, all premiums paid thereon shall be forfeited to the Company except as provided herein.

This clause effectually did away with all reasonable objections to the practice of Industrial companies in accepting small risks on the lives of children, as under this provision children could not be insured for more than a ten-cent premium, granting at the highest ages a sum only sufficient to meet the reasonable cost of burial and the expenses of the last illness.

A new adult rate table was also introduced this year (1896), of which the following is an abbreviated copy, showing, for certain ages, the amounts to be paid at death in return for certain specified weekly premiums. It will be observed, on examination of this table, that there are certain limitations at the younger and at the more advanced ages, which make speculative insurance, at these ages, impossible. Thus, for example, at age fourteen no higher premium than twenty cents per week will be accepted ; at age twenty-three the premium limit is thirty cents ; at age thirty-eight, forty-five cents ; at age fifty-one, forty cents, and at age sixty-five, thirty-five cents. The table here given in abbreviated form is the one now in use by the Company, but the amounts payable are subject to increased benefits, cash dividends and

surrender privileges which materially enhance the value of these policies :—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

ADULT RATE TABLE.

AGE NEXT BIRTHDAY.	WEEKLY PREMIUMS OF													
	5 Cts.	10 Cts.	15 Cts.	20 Cts.	25 Cts.	30 Cts.	35 Cts.	40 Cts.	45 Cts.	50 Cts.	55 Cts.	60 Cts.	65 Cts.	
10	\$ 120	\$ 240	\$	\$										
15	103	206	309	412	\$									
20	87	174	261	348	435	\$								
25	76	152	228	304	380	456	\$							
30	67	134	201	268	335	402	469	\$						
35	59	118	177	236	295	354	413	472	\$					
40	50	100	150	200	250	300	350	400	450	\$				
45	42	84	126	168	210	252	294	336	378	420	\$		462	\$
50	35	70	105	140	175	210	245	280	315	350	385	420	455	
55	28	56	84	112	140	168	196	224	252	280	308	336	364	392
60	22	44	66	88	110	132	154	176	198	220	242	264	286	308
65	17	34	51	68	85	102	119	136	153	170	187	204	221	238
70	13	26	39	52	65	78	91	104	117	130	143	156	169	182

Another very important concession made this year to the Industrial policy-holder of The Prudential was a provision printed *in red* at the bottom of each policy stating that—"This Policy, if not satisfactory to the Insured, may be surrendered within two weeks after its date at the office of the Superintendent, whose name appears on the premium receipt book accompanying this Policy, and the premiums paid thereon will be returned to the Insured." Under this provision it is now possible for prospective applicants to carefully examine their policies during a period of two weeks, and then, if not satisfactory, return the same to the Company, receiving in full the premiums paid during the period. Considering the large number of transactions, it must be self-evident that this concession implies a considerable money loss to the Company, voluntarily incurred to increase the popularity of the business and extend the equitable basis on which The Prudential from the beginning had transacted this form of insurance.

A still further concession was made to policy-holders this year, in a matter which for many years past had been one of the

most difficult questions with which Industrial companies had had to deal. Since October 1, 1884, the Industrial policies had contained a clause restricting the liability of the Company to one-half of the full amount of the face value of the policy in case the insured died from consumption during the first policy year. This restriction had been made necessary by the fact that no medical examination was required under policies for less than \$200, and while the application signed by the agent contained questions and inquiries with special reference to the present and past health of the applicant and his or her family history, nevertheless a considerable amount of adverse selection in this direction was experienced among Industrial policy-holders. Similar reasons influenced the Company in its early practice in restricting its liability where death was due to suicide.

In suicide cases the practice at first had been to void the policy entirely, but in 1884 this had been changed to a three-year period of policy continuance, and this period had been changed to two years in 1895; but, to make the contract as free from technical restrictions as possible, the Company this year eliminated the suicide clause from the Industrial contract, which is now practically as free as possible from burdensome restrictions.

Thus, by 1896 the Company had so far extended its liberal policy that Industrial policy-holders were practically on the basis of policy-holders in the Ordinary department. Whatever remained to be done to improve the contract was accomplished during the next few years, when further concessions, made practicable and possible in the light of more recent experience, have removed most of the remaining earlier restrictions.

While the year was one during which few attempts at adverse legislation were made in the Legislatures of such States as held annual sessions of their Assemblies, an effort was made in Massachusetts to revive the agitation of the previous year. The age limit under the new bill was only five years, but, according to the *Boston Herald* of March 3, 1896, "It required just about ten minutes this morning for the Insurance Committee to hear all who appeared to offer objections or make suggestions on the bill offered to prohibit insurance on the lives of children under five years of age.

For the remonstrants, ex-Governor Long stated that he did not care to say anything upon the bill, as it was apparent

that the petitioners had practically abandoned the idea of passing it." Among others, the State Insurance Commissioner pointed out the absurdity of the bill as drawn, stating that it would be necessary to have the same reconstructed if it were to be further considered. Another bill relative to the business of Industrial insurance was introduced in the Massachusetts Legislature requiring the companies to furnish a large amount of statistical data, the compilation of which would not only have been very burdensome to the Company, but exceedingly expensive, while the conclusions to be drawn from such data would in a general way have been of little value. The existing requirements of the State as regards necessary statistical information are sufficiently strict to place before the public all the information which can reasonably be demanded of such companies, and this view prevailed with the Legislature, and the attempt of the opposition therefore proved a failure.

Although the year was a Presidential year and considerably disturbed on account of the political agitation, the Company continued to make considerable progress in both departments of its business. As one of the electoral candidates, Mr. Dryden received a majority vote as Presidential elector for the State of New Jersey.

The intimate relation of Industrial insurance to life insurance on the Ordinary plan was ably set forth by Mr. Dryden in an address at the annual meeting of the Life Insurance Association of New York :—

These companies reach, both in their industrial and ordinary departments, a class of people not reached by the other companies. The ordinary work is a natural evolution of the industrial work. Men see the value of life insurance by reason of the educational power of an industrial policy, and the next step is an ordinary policy. Life insurance is of the most value when most widely distributed, and no other companies compare with the industrial in extent of distribution. Every time a worthy man is induced to take a life-insurance policy the body politic is helped. These companies are cultivating broadly and soundly among the masses the idea of life-insurance protection, which will bear fruit for both industrial and ordinary companies. Industrial agents may fairly be termed a sort of salvation army in life-insurance work. To the hitherto neglected masses is being carried the gospel of self-help, protection and a higher life. It is, we think, a fair statement to say that the industrial companies are doing more to spread a knowledge of and desire for life insurance among those who have the greatest need of it than all the other companies combined.

A similar reference to the extension of Ordinary insurance by The Prudential and other Industrial companies was made in the *Spectator* of January 9, 1896, as follows:—

The day is probably far distant when the income from the ordinary branches of the industrial companies will equal that from the industrial business, but there is every reason to think that they will increase the volume of the ordinary business each year. In fact, this is bound to be the case if the argument held out by these companies that industrial insurance is an educator is correct. They have maintained, and rightly so, that the circumstances of their industrial policy-holders become better from year to year, and as they rise in the social scale they need the protection of life insurance in greater amount than when first insured. Agents soon learn where they can place ordinary policies and push this class of insurance to the fore. The industrial worker of to-day must be able to hold his own in competition with others, whether it be for industrial or ordinary insurance he is canvassing, if he is to make a success at his calling.

Mention has been made of the close and satisfactory relations existing between the executive officers of The Prudential and the large body of agents and district managers scattered all over the land. As stated in the *Indicator* under date of March, 1896, "Considering the drawbacks of the year, the results attained are complimentary alike to the management and the workers in the field. * * * * The officers have often boasted that no insurance company in the world has in its service a field staff superior to The Prudential in sterling worth, all-around ability to produce great results and loyal attachment to the Company." These remarks have special application to two men who almost from the beginning had been connected with the Company's progress, had done much to increase the Company's business operations, and at a critical hour, when extreme competition did much to disturb the relations of agents and officers, remained loyal and faithful to the Company, who looked upon its employees as its friends, offering the friendship of the executive officers and the Company to every worthy worker in whatsoever capacity. Mr. John F. Collins had entered the service of The Prudential in 1879, when he had already achieved success and distinction in the general life-insurance business, having held prominent positions in the executive departments of other well-known old-line companies. Mr. Collins died on the 29th of March, 1896, and by his death the Company sustained a loss which it is difficult to express in

words. While it would be impossible to do Mr. Collins justice in a simple tribute to his memory, it is but proper that brief notice should be taken of one who in a large measure was instrumental in the making of The Prudential Insurance Company of America. I quote the following brief extract from a biographical sketch of Mr. Collins, published in *The Prudential Weekly Record* of April 6, 1896 :—

His coming to The Prudential Insurance Company of America was, of course, his first introduction to the Industrial business, but his ripe knowledge, tact, intuition, adaptability and exceptional talent for quickly and rightly judging men and things, conjoined to make him in this new and, at that time in this country, novel field of labor, the right man in the right place. To him was confided the opening of Philadelphia. So well did he perform this task that in nine months it was deemed safe to entrust the business there to other hands. That was in 1880. Mr. Collins was chosen to fill the important position in New York made vacant by the resignation of Superintendent Thornton. There Mr. Collins remained until his demise, ten days ago, and it is but simple justice to his memory to say that to no individual worker of its entire Field Staff, during all those sixteen years of remarkable achievement, is The Prudential more indebted for its wonderful progress and prosperity than to the greatly lamented subject of this brief sketch—John Fletcher Collins. It was not alone as an efficient, painstaking and eminently successful Superintendent that Mr. Collins served The Prudential. In the earlier years of his connection with it the Company frequently availed itself of his wide acquaintance and varied experience, and called upon him to perform valuable services in affairs entirely foreign to his district duties. From first to last he was a true, brave and gallant defender of its faith and principles.

Within a few months after the death of Mr. Collins the Company sustained another serious loss in the death of Superintendent Frederick Eichbauer. Mr. Eichbauer had also been connected with the Company for many years, having entered the office in 1880 as an agent under Superintendent Fessenden in Brooklyn, which office had then been opened but a short time. What has been said of Superintendent Collins was equally true of Superintendent Eichbauer, who at all times and under all circumstances had proved himself a most worthy employee deserving of the complete confidence of the Company, and equal to every task entrusted to his care. I quote a few remarks with reference to Mr. Eichbauer's life and work from *The Prudential Weekly Record* of June 15, 1896 :—

Such was the talent, diligence and energy displayed by Agent Eichbauer that two years later he was appointed Assistant Superintendent. Here

again he displayed such ability and such fidelity to the interests of the Company that when, in October, 1885, Superintendent Fessenden died, Mr. Eichbauer was chosen to succeed him. How well Superintendent Eichbauer managed Brooklyn District, No. 1, during the next nine years—the conspicuous ability he displayed as a leader of men and a producer of results—his zeal to carry out the wishes of the Company and to promote its cause—the many brilliant victories he achieved along the whole Prudential line, Ordinary as well as Industrial, these and other things alike creditable to the deceased are too well known in Prudential circles to need recital.

On January 1, 1894, Mr. Eichbauer was appointed to take charge of Chicago District, No. 1. His brief career in the great metropolis of the West is, like his Brooklyn career, familiar to all. It is to be said of this member of the Prudential Old Guard, that he was noted as a man who could win and hold the esteem and confidence of his subordinates, who was affable and courteous to all, and who was loyal to the Company and his friends. He will live in the annals of Industrial Life Insurance in America as one who did a great work in its cause—as one of those who, in the service of this, the Pioneer Industrial Company of America, ably helped to open new territory when it was decided to extend operations beyond New Jersey and make the system national in scope. The success achieved by Mr. Eichbauer in those days when Industrial Insurance was new and by many regarded as of doubtful permanency, cannot but help inspire those who are in the business to strive hard for the greater victories offered now to the pushing and the energetic.

In Superintendents Collins and Eichbauer The Prudential lost men whose place can not be filled in the hearts of those who were familiar with their noble traits, and who had evidence of their exceptional ability as life underwriters in the Industrial field. It is something considerably to the credit of The Prudential that it should have attracted to its field force men of as high a type as Collins and Eichbauer, in every respect worthy to be honored with the highest positions in the field operations of Industrial insurance and the extension of the principles of life insurance to the masses.

After twenty years it could now be said of The Prudential and Industrial insurance that the work which Mr. Dryden set out to do in 1875 had been accomplished, and it may not be out of place to give a brief extract from an article, on the Company's twenty-year record, from the *Insurance Critic*, as quoted in *The Prudential Weekly Record* of November 9, 1896 :—

Industrial life insurance as thus organized, and as applied by The Prudential and other companies, is of inestimable value as a provision for the careful and provident workingman, opening to him a door of opportunity

which he may enter for the purpose of making his small savings available to secure a larger sum for the time of need. It is a plan appealing directly to the thoughtful and considerate. A keen sense of personal responsibility and of family duties gives to life insurance a ready access to mind and heart. To the reflecting and well-disposed toiler, life insurance is a treasure and joy. Of great value is it also as an educator for the development of thrift and forethought among the laboring population in our great cities and other centres of industry. Its agents have been engaged in very important branches of mental and moral training, are still doing this work on an increasingly extensive scale, and in years to come they will carry forward the instruction and discipline in continuance of the earlier work of the school. Industrial life insurance is in every way a fountain of good influence to the great army of mechanics, artisans and other industrial workers.

CHAPTER XIV.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, 1897-1898.

The year 1897 marks a new era in Industrial insurance. Under date of January 1st Mr. Dryden addressed a circular letter to the field force, in which the Company's agents were informed that thereafter Industrial policy-holders would be placed on practically the same basis as Ordinary policy-holders, and that in the future Industrial policies would contain a provision for additional benefits, for cash dividends and for cash-surrender values. I can not do better than quote the larger part of Mr. Dryden's letter :—

When Industrial insurance was introduced in the United States, twenty-one years ago, by The Prudential, the Company did not have at its command a vast array of statistics upon which to base premium rates, nor were there any long-established precedents upon which the Company could base definite plans as to the future, as was the case in Ordinary insurance. It is true that Industrial insurance had been practiced in England for a number of years, but even in 1876 the business in that country was still in an experimental state, and the volume of business transacted was small compared with the immense proportions it has since assumed.

The Prudential practically entered a new and untried field, certainly a new field in so far as the United States was concerned. In the twenty-one years during which it has been making a specialty of Industrial insurance, The Prudential has gained a vast experience and has built up voluminous records of the many details that enter into its business. From time to time, as the Company has gained in experience, it has found that various changes could be made with advantage and that various concessions could be granted to policy-holders. We can not take the space to refer to these concessions here. They are a matter of history, and as much a part of the Company's record as the figures which go to show its many successes. It may be of interest and of value to the field force, however, to state that the total cost to the Company to date of the various concessions that have been made from time to time to policy-holders has been nearly \$700,000, and hundreds of thousands of dollars will be paid in the future on account of these concessions. Each new move on the part of the Company, however, has marked a step from the experimental conditions which surrounded Industrial insurance twenty-one years ago to the certitude and exactness that marks the business to-day. Any

step which the Company now takes is not an experiment, but is based upon practical and scientific knowledge of the business; and the effect in the present and in the future of any concession can be measured almost to a certainty.

In keeping with the wonderful growth of the business has been the increase in knowledge on the part of the general public as to the benefits which are being conferred by Industrial insurance. At the outset the business was hampered by opposition of all kinds. One by one the obstacles raised by ignorance and prejudice have been overcome until, at the present time, the beneficent influences of the system are found to exert an uplifting tendency in every branch of life. Decreased death rates, increased savings, more prudence in the home, better care in case of sickness and many other benefits that go to make better and happier conditions of life, can be traced to Industrial insurance. This is not a statement based upon inference. Facts gleaned from health reports, savings-bank statistics and other sources emphatically prove the assertion.

These remarks on the growth of the business, the extent of its influence and the change from experiment to certainty, are all preliminary to an announcement of new features in Industrial insurance, which the Directors and Officers of The Prudential wish to announce to you by means of this letter. Before entering upon the details of this new move, we wish to say that, notwithstanding the liberality and far-reaching effect of the concessions we have made in the past, the benefits we now propose to grant exceed in liberality and generosity all the other concessions that have ever been made in Industrial insurance. The concessions of the past have cost hundreds of thousands of dollars; these new concessions will, in the course of time, cost the Company millions of dollars, or, in other words, put millions of dollars into the pockets of our policy-holders and their beneficiaries. In fact, the new features which The Prudential now introduces into the business mark

A NEW ERA IN INDUSTRIAL INSURANCE.

The new features consist of various far-reaching concessions to policy-holders, and will be found in

A NEW POLICY CONTRACT.

This policy, for simplicity and liberality to the insured, has never been approached by any Industrial insurance company abroad, and certainly not by any in this country.

Let us examine the new policy. Casually glancing at it, we see in bold characters the words "After Five Years," "After Fifteen Years," and other attractive captions. Let us see what each of these means. Under the heading

"AFTER FIVE YEARS—ADDITIONAL BENEFITS,"

we find that after the policy has been in force for five years the Company will pay, in case of the death of the insured after five years and within fifteen years, an Additional Benefit or Bonus, in addition to the sum insured

INCORPORATED AS A STOCK COMPANY BY THE STATE OF NEW JERSEY.



HOME OFFICE:
NEWARK, N. J.

NUMBER

Whole life Policy.

IN CONSIDERATION of the weekly premium hereinafter stated, which, it is agreed, shall be paid to the Company or to its authorized representatives on or before every Monday during the continuance of this Contract, THE PRUDENTIAL INSURANCE COMPANY OF AMERICA AGREES TO PAY, at its Home Office in the City of Newark, New Jersey, unto the executors, administrators or assigns of the person named as the Insured in this Policy, unless settlement shall be made under the provisions of article second on the back hereof, the amount of Benefit provided in the Schedule herein contained and any additions thereto, within twenty-four hours after acceptance at its said office of satisfactory proof of the death of the Insured during the continuance of this Policy, which is issued and accepted subject to the conditions and agreements printed on the back hereof, which are hereby referred to and made part of this Contract.

IF THIS POLICY IS CONTINUED IN FORCE,

It will become entitled to Additional Benefits, Cash Dividends and Cash Surrender Values, as follows:

AFTER FIVE YEARS—Additional Benefits.

If the Insured shall die after FIVE YEARS from the date hereof, the Company will pay, in addition to the Benefit provided in said Schedule, an amount to be determined from the tables of Additional Benefits issued by the Company for the year in which death occurs.

AFTER FIFTEEN YEARS—Cash Dividends.

At the end of FIFTEEN YEARS from the date hereof and at the end of EACH FIFTH YEAR THEREAFTER, this Policy will be credited with a Dividend from the surplus apportioned by the Company to policies of the same age and kind, payable in Cash to the Insured, unless payment shall be made under the provisions of article second on the back hereof.

AFTER TWENTY YEARS—Cash Surrender Values.

At the end of TWENTY YEARS from the date hereof or at the end of ANY FIFTH YEAR THEREAFTER, the Company will pay to the Insured as a Cash Surrender Value for this Policy the amount fixed by the table printed on the back hereof, provided this Policy is legally surrendered to the Company within three months after the end of said twenty years or of any fifth year thereafter.

OR, IF THIS POLICY IS LAIPOSED AFTER THREE YEARS—Paid-up Policy.

If this Policy shall become forfeited for the non-payment of any premium after having been in force three full years, and the Insured shall be over thirteen years of age at date of such forfeiture, the Company will grant a non-participating Paid-up Life Policy in accordance with Chapter 356 of the Laws of 1895 of the State of New Jersey.

Schedule Above Referred to.

NAME OF THE INSURED	AGE NEXT BIRTHDAY AT DATE OF POLICY	TABLE OF INFANTILE BENEFITS											
		For a Weekly Premium of Five Dollars Subject to the Above Terms.						For Ten Dollars as hereof Policy.					
BENEFIT, if Insured is not less than Ten years of age next birthday.	WEEKLY PREMIUM	Amount payable if Policy has been in force for											
		If the Insured shall die within six calendar months from the date hereof, the Company will pay only one-half of the sum. If the Insured shall die after six months and within one year from the date hereof, the Company will pay only one-half of the sum. A full one year from the date the Policy will be in force for the full amount.		Less than three months	3 to 6 months	6 to 9 months	9 to 12 months	12 to 15 months	15 to 18 months	18 to 21 months	21 to 24 months	24 to 27 months	27 to 30 months	30 to 33 months	33 to 36 months
500	1000			1500	2000	2500	3000	3500	4000	4500	5000	5500	6000
		1000	2000	3000	4000	5000	6000	7000	8000	9000	10000	11000	12000

In Witness Whereof, the President and Vice President of said Company have signed this Policy at its Home Office in the City of Newark, New Jersey, this

Willie Board
- Vice President.

John H. Snyder
President.

This Policy, if not satisfactory to the Insured, may be surrendered within two weeks after its date at the office of the Superintendent whose name appears on the premium receipt and accompanying this Policy, and the premium paid thereon will be returned to the Insured.

INDUSTRIAL POLICY FORM AT PRESENT IN USE BY.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

Conditions and Agreements.

1a. **PRELIMINARY CONDITION**—No claim will be paid on this Policy in case of the death of the Insured before the date hereof, nor unless or until the Insured is alive and in sound health.

1b. **FACILITY OF PAYMENT**—The Company may make any payment provided for in this Policy in any relative by blood or connection by marriage of the Insured, or to any other person appearing to said Company to be legally entitled to the same by reason of having insured expenses to any part or benefit of the Insured, for his or her benefit or for any other purpose, and the production by the Company of a receipt signed by any or either of said persons or of other sufficient proof of such payment to any or either of them shall be conclusive evidence that such benefits have been paid to the person or persons entitled thereto, and that all claims under this Policy have been fully satisfied.

1c. **MILITARY AND NAVAL SERVICE**—The Insured may serve in the Militia or in the Army or Navy of the United States in line of duty or for the purpose of preserving order in case of riot, but in time of war, before engaging in hostilities, a written permit must be obtained from the Company for which an extra premium will be charged weekly until the Insured, after such service is terminated, has passed a medical examination satisfactory to the Company. In case of the death of the Insured during or after service in war without such permit, the liability of the Company shall be limited to the net reserve on this Policy at the time of death of the Insured, computed according to the legal standard of the State of New Jersey.

1d. **POLICY WHEN VOID**—This Policy shall be void if there is three upon the life of the Insured an Industrial Policy previously issued by this Company, unless the Policy first issued contains an endorsement, signed by the President or Secretary, authorizing this Policy to be in force at the same time; or if the person insured is under twelve years of age next birthday and is never or any hereafter be insured while under such age in this or any other company and the total premiums on such insurance shall exceed the cash value.

2. **Waiver**—If for any cause this Policy be or become void, all premiums paid thereon shall be refunded to the Company except as provided herein.

3a. **PAYMENT OF PREMIUMS**—All premiums are payable at the Home Office of the Company, but may be paid to an authorized representative of the Company; but payments to be received by the Company must be received at the time of payment. In the premium receipt book belonging with this Policy, all for any reason the premium is not called for every day, by an authorized representative of the Company, it shall be the duty of the policyholder, before and after the time in which to arrange for work, to bring or send said premium to the Home Office of the Company or to one of its district offices.

3b. **PERIOD OF GRACE**—Should the Insured die while the premium on this Policy is in arrears for a period not exceeding four weeks, the Company will pay the benefits provided herein, subject to the conditions of the Policy.

3c. **REVALUATION OF POLICY**—If this Policy is lapsed for non-payment of premium, it will be revived within one year from the date of lapse upon written application and payment of all arrears, subject to satisfactory evidence of the sound health of the Insured if required by the Company's rules.

3d. **ALTERATIONS AND WAIVERS**—No person, except the President, one of the Vice Presidents or the Secretary of the Company can alter this contract or waive any condition thereof.

3e. **LIMITATION**—No suit on this Policy shall be maintainable against the Company unless brought within six months next after the date of death of the Insured.

3f. **INCOMPETENTARY**—If the Insured shall die two or more years after the date hereof, and if all due premiums shall have been paid, and full proof of death given to the Company within three months next after the death of the Insured, this Policy shall be incontestable, except that the benefits provided herein may be adjusted for advancement of age.

CASH SURRENDER VALUES

At and of Twenty Years and of each FIFTH Year thereafter if Policy is continued in force.

The amounts in the following table are based on a weekly premium of 6 cents. If the weekly premium on this Policy is more than 5 cents, the amounts in this table will be proportionately increased. For example, if this Policy is subject to a premium of 10 cents per week, the Cash Surrender Value will be twice the amount in this table. If the premium is 15 cents per week, the Cash Surrender Value will be three times the amount in this table, and so on.

Age at Issue	End of 5 Years					End of 10 Years					End of 15 Years					End of 20 Years				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
1	1.20	1.10	1.00	0.90	0.80	1.80	1.60	1.40	1.20	1.00	2.40	2.10	1.80	1.50	1.20	3.00	2.60	2.20	1.80	1.40
2	1.30	1.20	1.10	1.00	0.90	1.90	1.70	1.50	1.30	1.10	2.50	2.20	1.90	1.60	1.30	3.10	2.70	2.30	1.90	1.50
3	1.40	1.30	1.20	1.10	1.00	2.00	1.80	1.60	1.40	1.20	2.60	2.30	2.00	1.70	1.40	3.20	2.80	2.40	2.00	1.60
4	1.50	1.40	1.30	1.20	1.10	2.10	1.90	1.70	1.50	1.30	2.70	2.40	2.10	1.80	1.50	3.30	2.90	2.50	2.10	1.70
5	1.60	1.50	1.40	1.30	1.20	2.20	2.00	1.80	1.60	1.40	2.80	2.50	2.20	1.90	1.60	3.40	3.00	2.60	2.20	1.80
6	1.70	1.60	1.50	1.40	1.30	2.30	2.10	1.90	1.70	1.50	2.90	2.60	2.30	2.00	1.70	3.50	3.10	2.70	2.30	1.90
7	1.80	1.70	1.60	1.50	1.40	2.40	2.20	2.00	1.80	1.60	3.00	2.70	2.40	2.10	1.80	3.60	3.20	2.80	2.40	2.00
8	1.90	1.80	1.70	1.60	1.50	2.50	2.30	2.10	1.90	1.70	3.10	2.80	2.50	2.20	1.90	3.70	3.30	2.90	2.50	2.10
9	2.00	1.90	1.80	1.70	1.60	2.60	2.40	2.20	2.00	1.80	3.20	2.90	2.60	2.30	2.00	3.80	3.40	3.00	2.60	2.20
10	2.10	2.00	1.90	1.80	1.70	2.70	2.50	2.30	2.10	1.90	3.30	3.00	2.70	2.40	2.10	3.90	3.50	3.10	2.70	2.30
11	2.20	2.10	2.00	1.90	1.80	2.80	2.60	2.40	2.20	2.00	3.40	3.10	2.80	2.50	2.20	4.00	3.60	3.20	2.80	2.40
12	2.30	2.20	2.10	2.00	1.90	2.90	2.70	2.50	2.30	2.10	3.50	3.20	2.90	2.60	2.30	4.10	3.70	3.30	2.90	2.50
13	2.40	2.30	2.20	2.10	2.00	3.00	2.80	2.60	2.40	2.20	3.60	3.30	3.00	2.70	2.40	4.20	3.80	3.40	3.00	2.60
14	2.50	2.40	2.30	2.20	2.10	3.10	2.90	2.70	2.50	2.30	3.70	3.40	3.10	2.80	2.50	4.30	3.90	3.50	3.10	2.70
15	2.60	2.50	2.40	2.30	2.20	3.20	3.00	2.80	2.60	2.40	3.80	3.50	3.20	2.90	2.60	4.40	4.00	3.60	3.20	2.80
16	2.70	2.60	2.50	2.40	2.30	3.30	3.10	2.90	2.70	2.50	3.90	3.60	3.30	3.00	2.70	4.50	4.10	3.70	3.30	2.90
17	2.80	2.70	2.60	2.50	2.40	3.40	3.20	3.00	2.80	2.60	4.00	3.70	3.40	3.10	2.80	4.60	4.20	3.80	3.40	3.00
18	2.90	2.80	2.70	2.60	2.50	3.50	3.30	3.10	2.90	2.70	4.10	3.80	3.50	3.20	2.90	4.70	4.30	3.90	3.50	3.10
19	3.00	2.90	2.80	2.70	2.60	3.60	3.40	3.20	3.00	2.80	4.20	3.90	3.60	3.30	3.00	4.80	4.40	4.00	3.60	3.20
20	3.10	3.00	2.90	2.80	2.70	3.70	3.50	3.30	3.10	2.90	4.30	4.00	3.70	3.40	3.10	4.90	4.50	4.10	3.70	3.30

NOTE.—To the Cash Surrender Value, as above, if applied for, will be added the Cash Dividend for the corresponding Five Year Dividend period, if such Dividend has not already been paid before this Policy is legally surrendered to the Company. Table of Cash Values after 45 years will be furnished on application.

100-1000-1000-1000

by the policy. The circular enclosed herewith gives the amount of these Additional Benefits for the year 1897 in the case of policies on which five years' premiums have already been paid. You will observe that the Additional Benefit on policies issued in 1892 is \$1.40 for each \$100 of insurance, and that the sum increases steadily with each additional year the policy is in force until, on policies which have been twenty-one years in force, the Additional Benefit reaches the sum of \$5 per \$100 of insurance. These amounts appear liberal when applied to individual policies, but the full effect and great expense involved in this concession can only be judged when we say that the Additional Benefits for 1897 are applied to a total of over \$130,000,000 of insurance. You will observe that the Additional Benefits cease at the time the first Cash Dividend is paid, as the distribution of profits which will be made at that time may prevent the Company from declaring Additional Benefits thereafter. Under the second heading,

"AFTER FIFTEEN YEARS—CASH DIVIDENDS,"

we find an agreement to pay to the insured a Cash Dividend on the policy after fifteen years' premiums have been paid and at the end of each fifth year thereafter. In other words, each policy hereafter issued will participate in profits on the Accumulative Dividend Plan, the first dividend being declared at the end of fifteen years, and the subsequent dividends at the end of each fifth year during the further continuance of the policy.

We next find a paragraph headed

"AFTER TWENTY YEARS—CASH SURRENDER VALUES."

Here we find an agreement to pay, at the end of the twentieth and each fifth year thereafter, a definite cash value upon surrender of the policy. If you will examine the figures shown by the table on the back of the policy you will find that the values promised are much the same as those given under an Ordinary contract, thus proving the liberal tendency of The Prudential in adopting this feature in its new policy.

We next find a paragraph headed

"PAID-UP POLICIES—AFTER THREE YEARS."

This condition provides for a Paid-up Policy according to the present tables, but we have omitted the tables from the back of the policy so that the new contract may not be obscured by too much type. The amounts of the Paid-ups, the period of the Expectation of Life, will be precisely as contained in present tables. You will notice, however, one important change, and that is that Paid-ups will be given under the new contract after the insured attains the age of 13 instead of age 15 as heretofore.

RETROACTION.

The foregoing concessions are so far-reaching and so entirely new in Industrial insurance that it becomes a serious problem as to whether they can be applied to existing policies; and the problem is complicated when the

immense amount of insurance in force at the present time—over three hundred millions of dollars—is considered. A concession on this vast sum of insurance of even \$1 per \$100 of insurance would be a matter of three millions of dollars. Under the new concessions we are brought face to face with much larger amounts. The application of the benefits given in the new policies to existing contracts must therefore, of necessity, become a matter of experiment and of experience, as the Company's entire business has been in the past. But, we will say that if experience proves that it is safe, the new concessions will be made applicable to old contracts as fast as the conditions will justify us.

During the year 1897 Cash Dividends will be paid on policies issued in 1877 and 1882, and Additional Benefits will be paid on all policies on which five years' premiums have been paid. The amount of the payment in individual cases under these two benefits will be found in the circular herewith.

The table of cash dividends on policies issued in 1877 is made up of the amount declared for that year, plus the dividend of 1882. This is in keeping with the principle of the new policy, of paying the first dividend at the end of fifteen years, with an additional dividend at the end of each fifth year thereafter.

You will observe that Additional Benefits, but for a reduced amount, will be paid on policies issued in 1877 and in 1882, even after the Cash Dividend has been paid.

We hope to receive certain benefits in return for the important concessions which are herein announced. First of all we expect that the new policy will

ENCOURAGE AGENTS TO REMAIN

in the employ of the Company. The Agents can now offer inducements never before heard of in Industrial insurance. They can uphold these inducements by practical results. It will thus be easier to secure new applications and to induce policy-holders to keep up their policies. Besides all the advantages coming from connection with the Industrial Branch, you will have the clear-cut, liberal policies of the Ordinary Branch to sell, backed up by the growth and actual results of that Branch in the past eleven years. No corps of Agents in this broad country—in fact, in the world—will have better or more liberal contracts to sell than the Agents of The Prudential Insurance Company. They will be in a position to insure the poor or the rich, giving each the best insurance that can possibly be obtained. Under such conditions as these, and with such opportunities, we believe our Agents will be very slow to leave our employ. We hope also to secure

A LOWER LAPSE RATE.

Our new policy is so designed that it becomes more valuable to the insured with each successive payment.

We have dealt with our policy-holders with a degree of liberality which has never before been known in life insurance. * * * * It remains with our policy-holders to show their appreciation by keeping up their policies

INCORPORATED AS A STOCK COMPANY BY THE STATE OF NEW JERSEY



PAID-UP LIFE POLICY.

In Consideration of the Application for this Policy, and of the surrender of the former Policy, No. _____, on the life of _____ herein designated as **THE INSURED**, The Prudential Insurance Company of America hereby promises to pay, at its Home Office in the City of Newark, New Jersey, unto the executors, administrators or assigns of the Insured, unless settlement shall be made under the provisions of article second hereinafter contained, the sum of _____

By _____

Dollars.

_____ within twenty-four hours after acceptance at its said office of satisfactory proof of the death of the Insured.

This Policy is issued and accepted subject to the following conditions and agreements:

Contract.

FIRST.—In case the age shall have been misstated in the original Policy for which this Policy is issued in exchange, the amount insured by this Policy shall be corrected to the amount that would have been granted if the age of the Insured had been accurately stated.
SECOND.—The Company may pay the sum of money insured hereby, to any relative by blood or connection by marriage of the Insured, or to any other person appearing to said Company to be equitably entitled to the same by reason of having incurred expense in any way on behalf of the Insured for his or her burial, or for any other purpose, and the production by the Company of a receipt signed by any or either of said persons, or of other sufficient proof of such payment to any or either of them shall be conclusive evidence that such sum has been paid to the person or persons entitled thereto, and that all claims under this Policy have been fully satisfied.

THIRD.—The Insured may serve in the Militia or in the Army or Navy of the United States, in time of peace or for the purpose of preserving order in case of riot; but in time of war, a written permit for such service must be obtained from the Company and an extra premium paid. In case of the death of the Insured from service in war without such permit, the liability of the Company shall be limited to the net reserve on this Policy computed according to the legal standard of the State of New Jersey.
FOURTH.—No suit on this Policy shall be maintainable against the Company unless brought within six months after the date of death of the Insured.
FIFTH.—If full proof of death is given to the Company within three months next after the death of the Insured, and if the foregoing condition as to occupation shall have been complied with, this Policy shall be incontestable, except that the sum insured may be adjusted for sake of statement of age.

In Witness Whereof, the President and Vice President of said Company have signed these presents at its Home Office in the City of Newark, New Jersey, this _____ day of _____ 189__

— *Arthur Wood*
Vice President.

John H. Dryden
President.

NEWARK, N. J.—PRUDENTIAL LIFE, 189__

PAID-UP POLICY FORM AT PRESENT IN USE BY

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

and continuing their confidence in the Company. If these expectations are realized, we shall consider that we have received our reward for the concessions herein set forth.

It is hardly possible to exaggerate the far-reaching value of these additional voluntary concessions made by The Prudential Insurance Company, and it was well stated in *The Prudential Weekly Record* of January 4, 1897, that "From its inception The Prudential has never neglected the lesson taught by its own experience. And so to-day the Company issues this new contract and makes these additional concessions to its old policy-holders because the experience gained in the past twenty-one years shows that such improvements are practical and safe." And it could be said with perfect truth that, "for simplicity and liberality to the insured, the new Industrial policy has never been approached by any Industrial insurance company in this country or abroad." With equal justice the Company could speak of this step in advance as "co-operation" in the true sense of the word, and of Industrial policies as "profit-sharing contracts," practically identical with policies issued by Ordinary life companies, placing the man paying a five-cent premium on the same level, as regards benefits and liberal surrender provisions, as one paying a premium of \$5,000 annually. For five cents a week a Prudential Industrial policy provides at present not only for the contingencies of the future, but also offers a legitimate reward for the present, because by its terms an equitable distribution of the profits accruing from this small investment is made in the numerous ways referred to in Mr. Dryden's letter. The financial aspect of so far-reaching a step in advance may fairly be appreciated when it is stated that the cost of the voluntary concessions made by The Prudential Insurance Company to its Industrial policy-holders to January 1, 1897, was approximately \$700,000, representing, however, but a small fraction of future obligations incurred voluntarily by the Company.

Among numerous improvements made in the agency administration of the business, one of considerable importance deserves to be mentioned. Under date of January 2, 1897, the Vice-President of the Company informed the field force that—"For some time past we have experimented with medical inspections, and, finding the plan successful, it has been determined to extend

the system." The method of medical inspection was briefly outlined in a circular letter of the Medical Director to the Company's Medical Examiners, from which I make the following extracts :—

A medical inspection is satisfactory when the following conditions are fulfilled :—

1. You should personally see the applicant.
2. You should give as near as you can his [or her] correct age next birthday, regardless of any statement made on the application.
3. You should state to the best of your judgment his [or her] present condition of health.
4. You should ascertain if he or she has signed the application and paid the premium.

Remember that, whenever you are requested to make an examination, an inspection will not answer. There is a decided difference between an inspection and an examination. In an inspection, judgment is given from the *appearance* of the individual as well as from answers to inquiries that may be made. In an examination the party is not only asked certain questions, but the Examiner is expected to ascertain by percussion and auscultation the condition of the heart, lungs and abdominal viscera.

Under this practice all adult applicants are now either medically inspected or examined, and the former opportunities for adverse selection have, therefore, been correspondingly diminished.

Among other changes and improvements in the practice of the Company, a new form of application was issued this year, which is reproduced on the opposite page. The only material alteration in the application was in reference to the signature of the parent or guardian of the person to be insured, if applicant was under the age of fifteen next birthday. The application reproduced is the one at present in use by the Company.

A new "Manual of Instructions" was issued to the field force, the essentials of which are summarized in the following brief rules for agents, illustrating the systematic and thorough manner in which the field operations of the Company are conducted :—

1. Collect promptly and systematically during the first part of each week. Collect at least one week's premium at the time of writing an application.
2. Write up your account and transmit your cash *on time*.
3. Report for lapsing all policies four weeks in arrears.
4. Canvass persistently and methodically.

AGENT _____ POLICY No. _____

Asst. Sup't _____ District _____

FOR OFFICE USE.	
Examined by	

APPLICATION

FOR OFFICE USE.	
Approved by	

FOR INSURANCE IN

The Prudential Insurance Company of America.

HOME OFFICE, NEWARK, N. J.

Questions to be answered by the person whose life is proposed for insurance if age is 15 years NEXT birthday or over, but, if younger, by the Parent or Guardian.

1. FULL NAME OF PERSON TO BE INSURED:				2. RES. EX. CALL			
At..... o'clock, A. M., P. M., on.....							

No.	Street	Town	Floor	Front or Rear	Right or Left
-----	--------	------	-------	---------------	---------------

3. DATE OF BIRTH:		4. AGE NEXT BIRTHDAY:	5. AMOUNT OF INSURANCE:	6. WEEKLY PREMIUM:
Month	Day				Year	$	cts.

7. PLACE OF BIRTH:	8. RACE:	9. SEX:	10. MARRIED OR SINGLE:	11. OCCUPATION:
(State or Country.)	(White or Colored.)		(If Adult.)	(Omit for lives less than 15 years.)

12. Is life proposed now insured in this Company?	Numbers.	Amounts.	Is life proposed now insured in any other Company? If so, for what amount?
13. Has life proposed ever been rejected or postponed by this or any other Company?	If so, by what Company?		

14. A. What is the present condition of health?	B. When last sick?	C. Of what Disease?	D. Does any physical or mental defect or infirmity exist?
	Month.	Year.	

15. Height and Weight:	16. Has either Parent or any Brother or Sister died of Consumption?	17. Does Rupture exist?	18. Is spirituous liquor used?
ft. in.		If so, is a proper truss worn?	Is opium or any narcotic used?

19. Has life proposed ever suffered from Consumption, Anemia, Spitting of Blood, Habitual Cough, Apoplexy, Paralysis, Heart Disease, Lumbago, Fits or Convulsions, Rheumatism, Dropsy of the Liver or Kidneys, Cancer, Ulcers or Accident of any kind?	State what disease.
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I HEREBY APPLY for insurance for the amount herein named, and I declare and warrant that the answers to the above questions are complete and true, and were written opposite the respective questions by me, or strictly in accordance with my directions. I agree that said answers, with this declaration, shall form the basis of a contract of insurance between me and The Prudential Insurance Company of America, and that the policy which may be granted by the Company in pursuance of this application, shall be accepted subject to the conditions and agreements contained in such policy. I further agree that no obligation shall exist against said Company on account of this application, although I may have paid premiums thereon, unless said Company shall issue a policy in pursuance thereof, and the same is delivered to me.

Signature of Applicant. To be made by the person whose life is to be insured if 15 years and NEXT birthday or over, or by parent or guardian if the Parent or Guardian.

APPLICANT'S NAME NOT ACCEPTED IF ABLE TO WRITE.

Date relationship of person who signs, if life proposed to less than 15 years old NEXT birthday.

Witness _____ Dated this _____ day of _____ 190__

AGENT'S CERTIFICATE.

This certificate must in all cases be signed by the Agent himself after the above questions are all answered, and he has become satisfied that the life proposed is a first-class risk, and also by the Assistant Superintendent if application was secured by one.

A. Is the Applicant a relative of yours?	State relationship.	B. What amount of Premiums have you collected in advance?	cts.
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I CERTIFY that I have this _____ day of _____ 190__ personally seen and questioned the Applicant herein named, and I recommend the Company to accept the risk.

Assistant Superintendent _____ Agent _____

If a policy is already in force in this Company on life proposed, and this application is for additional insurance, the policy must be sent to the Home Office attached to the application, which should be marked in the left hand margin "ADDITIONAL." If application is for increased or decreased insurance, and the existing policy is to be kept, a paper tabulate containing particulars of the policy as well as the policy itself must be attached to the application.

SEE THAT ALL QUESTIONS ARE CORRECTLY ANSWERED BEFORE SENDING APPLICATION TO THE HOME OFFICE, AND THUS AVOID DELAY IN ISSUANCE OF POLICY.

Medical Examiner's Report.

To be filled in by a regularly appointed Medical Examiner, when the amount applied for is \$50 or more.

OBSERVE FOUR IMPORTANT POINTS:
 1. A PERSONAL EXAMINATION.
 2. THE AGE NEXT BIRTHDAY.
 3. THE CONDITION OF HEALTH.
 4. APPLICANT'S SIGNATURE BELOW.

1. Is question 19, on the other side, answered correctly?	2. Does the date of birth given to you agree with that given to Agent?	3. What do you believe to be the age next birthday?	4. Race? (White or Colored.)
5. Height and Weight? (If over 15 years of age.) ft. _____ in. _____ lbs. _____	6. Does the applicant appear to be in good health?	7. Is there any physical defect or infirmity?	8. Has the applicant ever been rejected by this or any other Company?
9. Has either parent, or a brother or sister died of Consumption?	10. Have you reasonable suspect Intemperate habits, or, if female, Immoral life?	11. Has applicant within the past five years had any serious illness or injury: Spitting Blood, Habitual Cough, etc.? If yes, give date and particulars below.	
12. Is the Heart diseased?	13. Are the Lungs diseased?	14. Do you detect disease of any kind?	
15. Have you personally examined the applicant?	16. When? Day Month Year	17. Is the life, in your opinion, a first-class, fair average, or poor risk?	

REMARKS: Use this space for full particulars, if required.

Signature of party examined, or, if too young to write, of person applying for Child's Insurance.

I CERTIFY that the above answers are true and that the person examined signed in my presence.

M. D.

MEDICAL EXAMINER'S INSPECTION REPORT.

To be filled in by a regularly appointed Medical Examiner, when the amount applied for is less than \$250.

OBSERVE FOUR IMPORTANT POINTS:
 1. A PERSONAL INSPECTION.
 2. THE AGE NEXT BIRTHDAY.
 3. THE APPARENT HEALTH.
 4. THE APPLICANT'S SIGNATURE.

A. WHAT DO YOU BELIEVE TO BE THE ACTUAL AGE NEXT BIRTHDAY?	B. IS THERE ANY REASON TO SUSPECT INTEMPERATE HABITS, OR, IF FEMALE, IMMORAL LIFE?	
C. RACE? (WHITE OR COLORED.)	D. HAS APPLICANT EVER BEEN REJECTED?	E. DID APPLICANT SIGN THIS APPLICATION ON OTHER SIDE?
F. DID YOU PERSONALLY SEE APPLICANT?	G. WHEN? Day Month Year	H. DOES APPLICANT APPEAR TO BE IN GOOD HEALTH?
I. WAS PREMIUM PAID TO AGENT?	J. DOES APPLICANT INTEND TO CONTINUE THIS INSURANCE?	

REMARKS

Signature of party & agent, or, if a child, of parent or guardian.

I CERTIFY that the above answers are correct and that applicant signed in my presence.

Y. D.

Medical Examiner

SEE THAT ALL QUESTIONS ARE CORRECTLY ANSWERED BEFORE SENDING APPLICATION TO THE HOME OFFICE, AND THUS AVOID DELAY IN ISSUANCE OF POLICY.

5. Correctly represent the insurance you offer, and write applications only on lives you believe to be in good health and of temperate habits.*

6. See all applicants personally, and be careful to get correct age *next birthday*.

7. Permit no application to leave your hands until it has been signed by the applicant in your presence and until it is complete in every detail. If previous insurance exists, attach first policy to application and forward for endorsement.

8. Hand in your applications as early in the week as possible.

9. Do not deliver a policy unless you are certain the insured is in good health at the date of delivery.

10. Read your "Instruction Book"; consult your "Assistant"; study the forms you must use; learn the requirements of your office and your duties as a correspondent.

A further change in the agency administration was touched upon in a letter of the President to the field force dated January 29, 1897, in which the agents were informed that "in view of the very gratifying reduction in defalcations during the year 1896 we have been enabled to make better arrangements with the American Surety Company for bonding our agents. It, therefore, affords us pleasure to announce that during the present bond year—February 1, 1897, to February 1, 1898—we shall only require \$1 for an agent's bond, instead of \$2 as heretofore, and no charge will be made to agents who are members of the Old Guard." This concession to agents is proof of the increasing efficiency of the field force, and the high character of the men employed, and it may be added that in another year the Company saw its way clear to do away with bonds and sureties entirely, resting its guarantee of honest and efficient management on the part of its agents on the fact of previous good character and the substantial inducements for men to remain honest in a business pursuit assuring to the agent a satisfactory income during

* Regarding this point the Agents' Instruction Book reads as follows:—

"All persons applying for insurance must be seen *personally*, and questioned as to their age, health, habits, etc., in order that the Agent may be able to judge for himself whether they are desirable risks or not. The performance of this duty by others does not release him from the responsibility of *personally* certifying to the truth of the statements made in the Agent's Certificate, which must in every case bear his signature.

"Under no circumstances are you to canvass or submit Applications from persons of immoral habits or inmates of houses of ill fame."

the proper performance of his duties. The position of the Industrial agent had also been materially improved through changes introduced by the Company in the management of its Ordinary business, by doing away with the separate management of the Ordinary department, and making out of its Industrial agents Ordinary insurance producers. In communicating this change to the field force under date of February 10, 1897, the President wrote as follows:—

It is now and always has been one of the aims of The Prudential to make the stay of every Agent in the force a permanent one. The Company is averse to losing the services of good representatives, and has from time to time instituted such changes in its business policy and in the terms of remuneration to Agents as tended to insure their retention. We have been successful in a large degree with these measures, but the Company's idea is to make continuous advance in the matter and we now propose taking a step far in advance of anything yet done.

We shall make a contract with each Agent covering not only the Industrial but Ordinary business as well, so that an Agent devoting himself to both departments of the work will gain a double advantage from his labors.

The commission on Ordinary business during the first year, and the renewal interest afterward, will make gratifying additions to the income secured from the Industrial business. This action of The Prudential places each member of the Agency staff on practically the same level of position as the General Agents of other companies, but with greater opportunities for writing and holding business. Under the plans of the Company you are able to offer profit-sharing policies of life insurance for the whole of the family—men, women and children.

The new Industrial contract is so much like an Ordinary one as to enable you to appeal to people who have hitherto held aloof from Industrial Insurance, and in canvassing for the one the opportunity for presenting the merits of the other is bound to come.

Having once determined to make radical changes in the policy conditions of its Industrial business, the Company still further liberalized the Industrial contract by granting a revival privilege to lapsed policy-holders, under which policies could be reinstated without the payment of arrears, such unpaid premiums being made a non-interest-bearing lien upon the policy, payable only in case of the death of the insured. The subject is fully set forth in the President's letter to the field force dated January 30, 1897:—

We have decided to make yet another concession, to go into effect for the week of February 8th, to policy-holders who have been unable to continue the payment of premiums. We believe that there are instances where

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.
HOME OFFICE, NEWARK, N. J.

AGENCY APPLICATION AND AGREEMENT.
REPORT OF SUPERINTENDENT.

Applicant's full name _____

To operate at _____

1. Did you personally interview the applicant? _____
2. Did applicant respond to an advertisement, come to the office unsolicited, or was he introduced by an Agent or Assistant? _____
3. What is his general appearance? _____
4. Does he reside at the address given in Agency Application? _____
5. Is residence in respectable neighborhood? (To be ascertained by personal visit) _____
6. Is applicant married or single? _____
7. Is applicant a resident of a boarding-house, does he rent rooms or house, or does he own his own home? _____
8. From your personal visit to last employer what recommendation does he make? (Not to be answered where applicant was employed by any other Industrial insurance company) _____
9. Did you personally visit the other references, and what recommendations do they make? _____
10. Has Agent been provided with Manuals of Instruction? _____
11. Does he propose devoting his whole time to the business? _____ If not, state what other occupation he intends following _____

Assigned to Ass't Supt. _____ Supt. _____

PERSONAL STATEMENT BY THE APPLICANT.

THIS STATEMENT MUST BE FILLED IN, DATED AND SIGNED BY THE APPLICANT HIMSELF.
RECORD OF EMPLOYMENT FOR PAST FIVE YEARS:

NAME OF EMPLOYER (Last Employer)	DATE OF SERVICE		ADDRESS	KIND OF BUSINESS
	FROM	TO		
	FROM	TO		
	FROM	TO		
	FROM	TO		
	FROM	TO		

REFERENCES:

NAME	ADDRESS	OCCUPATION

<p>Were you ever employed by this Company? _____ If so, state when? _____</p> <p>When _____</p> <p>What capacity _____</p> <p>Why did you leave our employ? _____</p>	<p>Were you ever employed by any other Industrial Co.? _____ If so, state what Company _____</p> <p>When _____</p> <p>Where _____</p> <p>What capacity _____</p> <p>Why did you leave its employ? _____</p>
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Agent.

Dated this _____ day of _____ 190.

AGENT'S AGREEMENT.

In consideration of my appointment as an AGENT OF THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, I do hereby agree as follows:

THE FOLLOWING CLAUSES RELATE ONLY TO BUSINESS KNOWN AS INDUSTRIAL INSURANCE. BEING THAT ON WHICH THE PREMIUMS ARE PAYABLE WEEKLY.

1. To canvass for insurance and to collect premiums regularly every week. To keep true accounts as to the business in such books as may be provided by the Company, and to make, on the day required and on the forms provided by the Company, each week a true account of all moneys received by me, and to remit at the same time all moneys whatever received by me.
2. To fill in and return to the Home Office each week on a Lapse Schedule provided by the Company, a list of all the policies upon which four weeks' premiums are due.
3. That on Monday of each week I am to be debited with the amount of the weekly premiums shown on the Life Policy Register, less the total amount of the weekly premiums on policies entered in the Lapsed Policy Register for that week; and it is agreed that the Company is not bound to prove that I have received the premium from each particular policy-holder, but that the amount so shown shall be considered as being absolutely received by me on behalf of the Company. This clause is not to be construed as a waiver of or interfering with any rights secured to the Company by this agreement in any other respect.
4. That in case of my resigning the Agency, or of my being dismissed therefrom, I agree to introduce to my successor in the Agency all the policy-holders in my Agency after such resignation or dismissal, upon being requested so to do by the Company.
5. That "Official Transfer," as used herein, means the transfer of the Company's books at the Home Office of policies to or from my Agency during and after my term of service with the Company.
6. That in case any policy or policies in my Agency become lapsible under the Company's rules, through default in payment of premiums, and I fail to report such policy or policies to the Company for lapse at the time specified in said rules, the arrears in excess of the amount regularly allowed by the Company are to be charged to my account.
7. That I am to receive a salary amounting to 15 per cent. of the amount of my collections each week, said salary to be known as "Ordinary Salary."
8. That in addition to the amount specified in clause 7 a "Special Salary" is to be paid to me, amounting to fifteen times the net increase of my collectible weekly debit. But should a decrease in the amount of my weekly debit occur, a charge of fifteen times the amount of such decrease is to be made against my account, which charge can be offset by the production of further net increase in debit or by payment of fifteen times the amount of the decrease in cash.
9. To furnish to the Company, if required, a bond, in form and substance as prescribed by the Company, to secure the faithful performance of duty on my part as Agent and with such surety as shall be approved by the Company.
10. It is expressly agreed that I am not to be entitled to any Ordinary or Special Salary until all the conditions and agreements contained in this contract have been fully complied with by me.
11. That the amount of the collectible weekly debit is arrived at by deducting the TOTAL amount of the weekly premiums on all policies entered in the Lapsed Policy Register from the TOTAL amount of the weekly premiums on all policies entered in the Life Policy Register.
12. Should business of any description be transferred to me, no Special Salary is to be paid on the increase in my collectible weekly debit resulting from such transfer, but only on the amount of net increase shown after deducting the amount transferred, and such transferred business, if subsequently lapsed, will not affect my Special Salary if reported by me for lapse at such time as to admit of the official lapsing for a date within the period prescribed by the Company's rules.
13. Should business of any description be transferred from my Agency, the decrease in my collectible weekly debit resulting from such transfer is not to be charged against my Special Salary, provided the business becomes chargeable, under this agreement, to the Agent to whom it is transferred. It is, however, expressly agreed that all policies officially transferred from my Agency, either during my term of service with the Company or after the termination of my employment by resignation, dismissal or otherwise, and reported for lapse at such time as to admit of the official lapsing without charge, under the Company's rules, against any Agent who has received the transfer of the policies, shall be charged against my account at the regular Special Salary rate of fifteen times the amount lapsed.
14. That if any business is transferred from my Agency, and it is again transferred before the Agent who received it from me has held it long enough to become chargeable with it under this agreement, I am to be held responsible in case of its lapse, unless some one of the Agents who received it in transfer has retained the business long enough to become chargeable with it under this agreement.
15. That I am to be allowed to draw Special Salary only to the amount the character of the new business, after investigation, will in the opinion of the Company warrant.
16. That if my weekly collectible debit should decrease in any week, and I should subsequently claim salary on any future increase of business, it will only be payable upon the net increase from the last date the Special Salary was allowed.
17. That should the arrears on my account be deemed excessive by the Company or my collections below the percentage of the debit prescribed by the Company's rules the Special Salary may be withheld until the rules are complied with.

the parties formerly insured would like to have the original policies reinstated or revived, but lack the necessary funds to pay up the arrears.

Until further notice, the following concession will apply in such cases: In the event of the insured under policies on which 52 or more continuous premiums were paid, prior to lapse, desiring to revive the policies, the Company will, if the applicants are unable to pay the whole arrears, accept a policy lien (which will not call for payment of interest) for the whole of arrears, if necessary, or for such part as they are unable to pay at the time of applying for revival. *This concession applies only to policies 13 or more weeks in arrears at time of application for revival.* These policy liens may be cancelled during life-time by the insured, through payment of the sum due the Company. They will form liens upon the policies, and the amounts represented shall be deducted from any payment becoming due under the policies. They will also form liens upon the legal reserve to the credit of the policies and may be deducted therefrom, before considering any paid-up insurance to which the insured might otherwise be entitled, in the event of the policies revived being subsequently lapsed. You can appreciate that this concession means a great deal to those interested, and we believe it will be warmly welcomed by many of those who were obliged to discontinue their insurance in The Prudential.

The form used in case of policy liens on lapsed contracts is reproduced as follows:—

INDUSTRIAL POLICY LIEN.

Policy No.....189

The undersigned has applied to The Prudential Insurance Company of America for a revival of Policy No....., on the life of, issued by said Company, and acknowledges that the arrears of premiums on said policy amount todollars and.....cents, and agrees that in event of the revival by said Company of the said policy, the said amount will be a lien on said policy and will be deducted therefrom if said policy becomes a claim.

Should a paid-up policy be issued in lieu of the above mentioned policy, the said amount of arrears of premiums will be deducted from the legal reserve to the credit of said paid-up policy, or any dividend additions or concessions that may hereafter accrue on said policy may be applied, at the option of the Company, to cancel or reduce the amount of this lien.

It will readily be granted that the Company, in taking these important steps, had practically extended to Industrial

policy-holders the loan privileges of Ordinary policy-holders, subject to certain modifications on account of elements inherent in the practice of Industrial insurance.

Every possible effort had been made by the Company to encourage lapsed policy-holders to revive their policies or to assist those in arrears to keep their policies in force. Special instructions had been issued to agents from time to time, insisting upon special efforts to keep policies in force in cases where policy-holders had fallen in arrears, and from an article on the subject in *The Prudential Weekly Record* of August 9, 1897, I make a few extracts to illustrate the anxiety of the Company with reference to policy-holders in distress :—

A number of complaints have been made of late to us by policy-holders as to the arbitrary methods adopted by the Agents and Assistant Superintendents in reference to collection of premiums in arrears.

The Prudential has builded its business upon good business principles, and one of these is the insistence that courtesy be shown to all connected with it. The Company recognized from the beginning of its career that occasion would arise when the policy-holders might not, for sufficient reasons, be able to meet the payment of premiums regularly, and provision for such contingency was made.

When policy-holders fall in arrears, point out the danger to them and try to have the premiums paid up. Do not, however, display harshness. Accept premiums within the limit.

We do not complain if old policy-holders are a little behind. They will catch up when they can, and if properly treated will clear up the indebtedness at the earliest opportunity.

Educate the policy-holders in the matter of paying premiums—start right with them ; use tact, good judgment, courtesy—and there will be no complaints.

To further encourage lapsed policy-holders to revive their policies, a new rule was introduced, under date of February 19, 1897, under which the Company assumed the expense of medical re-examination in all cases of revivals. Previous to this it had been the rule to have the insured pay the cost of the second medical examination, and occasionally cases had occurred where the expense had been a bar towards reinstatement, and, rather than place even so slight a hindrance in the way of policy revivals, the Company assumed the entire expense of such medical re-examinations.

An Intermediate policy was issued for the first time in 1897 in place of the former Special Adult policy, which had been discontinued under date of January 1st, in view of the fact that the new concessions to Industrial policy-holders were of more value than the slight reduction in rates which had been the feature of the Special Adult table. In communicating to the field force the views of the Company on this additional innovation, the President stated that—

It is our purpose to issue Intermediate Policies in our Ordinary Branch. These policies have been prepared to meet a demand which exists for plans of insurance adapted to the requirements of people who, by reason of physical excellency, personal and family history, financial condition, occupation, habits and environment, feel that they should be insured on terms somewhat more favorable than those of the regular Industrial policies. We expect, therefore, that our representatives will carefully select the risks they place before us for these Intermediate Policies, and aim to get only those who are more nearly up to the Ordinary rather than the Industrial standard.

We wish it clearly understood that these policies are not intended for purely Industrial risks. We will not accept applications for Intermediate Policies on persons engaged in the manufacture or sale of intoxicants,* or from those employed in an establishment where explosives are manufactured.

The premiums on these policies will be payable quarterly, semi-annually and annually, and will be the same for both men and women.

* This class of risks is accepted in the Industrial department, subject to certain restrictions, as stated in the following extract from the Agents' Instruction Book :—

Saloon-keepers, bar-tenders and persons engaged in the sale of intoxicants will not be insured for more than \$250 or thereabouts, and in all cases the age will be rated up five years. The Company does not wish any particular effort made to get business of this class, but if applicants are taken, five years must be added to the actual age, and the amount of benefit for the higher age must be quoted. The highest premium accepted from persons engaged in this occupation at the various ages is shown below :—

ACTUAL AGE.	LIMIT OF WEEKLY PREMIUM.
20 to 26 inclusive,	15 cents.
27 to 34 "	20 cents.
35 to 39 "	25 cents.
40 to 44 "	30 cents.
45 to 47 "	35 cents.
48 to 59 "	40 cents.
60 to 65 "	35 cents.

An abbreviated copy of the Intermediate table is given below :—

PREMIUM RATES FOR A POLICY OF \$500.

WHOLE LIFE.

AGE NEAREST BIRTHDAY.	ANNUAL PREMIUM.	SEMI-ANNUAL PREMIUM.	QUARTERLY PREMIUM.
20	\$10 97	\$5 70	\$2 91
25	12 55	6 53	3 33
30	14 22	7 39	3 77
35	16 42	8 54	4 35
40	19 02	9 89	5 04
45	22 52	11 71	5 97
50	27 28	14 19	7 23
55	33 77	17 56	8 95

It will be observed, on examination of the extract from the President's letter, that applications for Intermediate policies were not to be accepted from persons engaged in the manufacture or sale of intoxicants or the manufacture of explosives. Many other dangerous or unhealthy occupations were, however, also prescribed against in the regular instructions sent to agents in reference to this class of policies. Among others, applications were not to be accepted from coal-miners, potters, asbestos workers, caisson workers, cement-mill employees, glass-blowers and gatherers, match-makers, mirror-makers, rubber-makers, smelters, starch workers, white-lead workers, etc., etc. These restrictions were based entirely on the then existing state of knowledge as regards the accident and disease liability of men employed in various occupations, and they have been subject to important modification as subsequent investigations have made a less restrictive practice possible. Thus, for instance, in consequence of a thorough investigation of the facts pertaining to men employed in American coal-mines, native coal-miners, on account of their lesser liability to fatal accidents, have been removed from the list of prohibited occupations. A similar investigation into the mortality of potters brought to light many previously unknown facts, on the basis of which it was possible to accept the larger proportion of men employed in this occupation. On account of the large number of lives under observation in the

Industrial department, The Prudential has gradually accumulated a body of exceptionally valuable facts pertaining to the mortality of persons in different occupations, and in the light of its own experience it will be possible in the future, as it has been in the past, to make most important modifications in the method of dealing with applicants engaged in dangerous or hazardous occupations, and possibly with a class of sub-standard lives, now under special observation by the Medical department.

The Company this year lost by death the service of another faithful employee, Mr. Thomas Haggart, Superintendent of the Denver District. I quote the following brief biographical sketch from *The Prudential Weekly Record* of September 27, 1897:—

With great regret we are obliged to announce the death of Superintendent Thomas Haggart, of Denver, Col.

Mr. Haggart's career in the Industrial insurance business has been a notably successful one, and we can, without any exaggeration, say that in his death the Company loses one of the most faithful, loyal and progressive men in its entire service.

He was a typical field man; nothing suited him better than the varied and arduous work of carrying on a superintendency.

He took the keenest delight in overcoming obstacles and difficulties; in personally assisting and helping those of his Agents and Assistants in trouble.

Mr. Haggart entered the service of the Company on September 8, 1882, and among the last things he was able to do was to sign for his gold medal for fifteen years' continuous and honorable service.

Those of the older men in our service who had the privilege of knowing Mr. Haggart will fully appreciate the loss we have sustained, and, while we were prepared for it, through the long illness that preceded his death, yet the removal of so prominent a figure in our field operations comes as a shock to one and all.

The results of the business operations during 1897 had been very satisfactory. The Industrial policy-holders now exceeded 2,658,000, while the policy-holders in the Ordinary department numbered 52,583. The assets had increased to \$23,984,000, and the liabilities to \$18,744,000, leaving a surplus of \$5,240,000.

In commenting upon the progress made by the Industrial companies during the year, the *Baltimore Underwriter* referred to Industrial insurance as "one of the wonders of the age," and from an article of some length I make the following extracts as an indication of the increasing appreciation of this form of

insurance on the part of those best qualified to judge of its value from the standpoint of public policy :—

Industrial insurance has become one of the wonders of the age. The period of its active development in this country dates back only twenty-one years, yet the capabilities of the accretion of diminutive payments—five and ten cents a week—would be incredible were not the demonstration constantly placed before us.

What it has wrought in such a brief period along the lines of thrift and saving, what it is doing from day to day in the alleviation of sorrow and misery in the homes of the poor and the lowly, the children of toil and privation, we shall never know; we can only faintly conjecture. It is hard to realize that in this wonderful business more than seven million policies are in force, that in its work of benefaction it is paying out fifteen millions of dollars annually, and that it gives employment to more than thirty thousand agents.

It is doubtful whether, in the entire history of life insurance, any other single year represents efforts and results destined to bring about such vast and permanent improvements as must naturally follow The Prudential's policy of liberality outlined during 1897. In his annual review Mr. Dryden touched upon these points in his letter to the field force as follows :—

The year 1897 will be memorable in the history of Industrial Insurance, because in that year The Prudential Insurance Company inaugurated a new era by issuing an Industrial policy containing Cash Dividend and Insurance Dividend [Mortuary Dividend] features and promising liberal Paid-up and Cash-Surrender Values,—a policy hitherto unknown in the Industrial Field. The magnificent amount of insurance written during the year just past, without any extra effort on the part of the Field Staff, is sufficient evidence that these great concessions have been appreciated by the insuring public.

The year 1897, however, was marked by still greater liberality on the part of the Company, in that the concessions to the new policy-holders, as has always been the practice of the Company, were made to apply [equally] to its old policy-holders. Liberal Cash Dividends were paid on policies issued in 1877 and 1882, and Additional Benefits in case of death were paid on all policies on which five or more years' premiums had been paid. In every instance these dividends have been a voluntary concession—not promised by the Company, not expected by the policy-holder. At the time these policies were issued, the fact of their eventually earning for their holders substantial dividends was wholly unlooked for.

We have studied very carefully our experience as regards these dividends during 1897, and now believe that we can safely offer a similar concession for the year 1898. In 1897 the Cash Dividends applied to insurances amounting to \$2,000,000; in 1898 they will apply to insurances of \$3,000,000.

In 1897 the Additional Benefits applied to insurances amounting to \$130,000,000; in 1898 these insurances will amount to \$150,000,000. In addition, the *rate* of the 1898 dividends is considerably higher than in 1897. So that the total amount of cash to be paid in 1898 will be almost double that of the preceding year.

The year just past, both in Industrial and in Ordinary, has been one of which the agency force of The Prudential has every right to be more than proud. The character and stability of the great mass of the business placed on our books has been above criticism. The sterling worth and loyalty of our Field Force were never more in evidence than to-day. From these twosources,—the nature of the business in force and the high standing of the men who have written that business,—from the fact that The Prudential policy, whether Industrial or Ordinary, is the best policy for the people, and from the great impetus gained during 1897 in both branches of the business, we fully expect that from every desirable standpoint the year 1898 will be the greatest, proudest year of our Company's life.

These extracts will make clear the Company's position and explain the far-reaching consequences involved in so distinct a step in advance as the granting of dividends and cash-surrender values to the holders of Industrial policies. And it may here be added that, though only two years have passed since The Prudential first commenced to place Industrial policy-holders on practically the same basis as Ordinary policy-holders, the Company's experience has made it clear that it will be possible and expedient to continue in the future the same course of prudent liberality as has been the Company's practice in the past. However satisfactory the results accomplished had been, it became more evident than ever that the Company's work had but just commenced, and that, in other words, vast opportunities were being neglected for the more rapid extension of The Prudential's business operations. While a very considerable number of persons had been insured, the efforts thus far put forward to reach all sections of the community had been less systematic and thorough than was necessary to produce the best results. Accordingly, in the early part of the year it was determined to inaugurate new methods of placing the objects and aims of Industrial insurance before the public, and by direction of the Vice-President "a straight canvassing campaign" was commenced, which has been productive of excellent results. To explain the meaning of this term it must be understood that in straight canvassing agents are required to visit every house, and every floor, and to solicit directly every adult member of the

family, whether rich or poor, holding out inducements to insure on the Industrial, the Intermediate or the Ordinary plan of life insurance. I can not do better than quote from the Vice-President's letter of February 28, 1898, as follows :—

Your attention is called to a matter of paramount importance to Prudential interests. We refer to the urgent need of more Straight Canvassing.

Although the debits are well taken care of, and a proper amount of business written on them, the great mass of the population are not approached on the subject of Life Insurance by our Agents. Thousands and tens of thousands of people in the different cities are never asked to take out Prudential policies, although they are in need of the protection our plans afford.

The very foundations of the Company were laid by Straight Canvassing, and wherever it extends operations it depends on systematic house-to-house solicitation to acquire membership in the new territory.

The Prudential must look to its Agency force for business; *one of the principal duties of the Agent is to canvass.* An Agent who is a mere collector falls short of our requirements. We want those who collect promptly and canvass thoroughly, employing their time to the best advantage in forwarding our interests.

We shall insist upon more Straight Canvassing than has been done of late, for we know it will be productive of much good to all concerned.

The burden of responsibility will not all rest with the Agent. We shall expect Superintendents and Assistants to do their part; the former to advise and plan, counselling and encouraging his subordinates, while the latter should give practical help to their Agents in the Field by assisting them in the work of canvassing. The Collections should be finished as soon as possible, so that everybody may go to the Field and display that activity which will assure satisfactory returns.

The Prudential Field Force are in splendid position for canvassing. They represent a sound Company, offering the best forms of policies, Industrial and Ordinary.

Our men are backed up by liberal advertising. The name of The Prudential is known through the length and breadth of this land, and if business be asked for it can be obtained. Straight Canvassing will prove very profitable if our representatives but measure up to their opportunities. In old or new Districts the chances for business are good. No Field has been so well worked that more can not be secured.

We trust to see a hearty and lasting response to this call for action; that our representatives will awake to the possibilities of the occasion and be on the alert to grasp all the opportunity afforded to extend the circle of Prudential policy-holders.

To illustrate the thoroughness with which this work of straight canvassing was carried on, I reproduce below the report required of the superintendent on the results accomplished by

both agents and assistants in addition to their regular duties of collecting the weekly premiums from the insured :—

LESLIE D. WARD, ESQ., *Vice-President.*

Dear Sir :—I would report that..... Industrial applications, representing an aggregate in weekly premiums of \$....., and..... Ordinary applications, representing \$..... of insurance, were secured in my District on straight canvass during the week commencing.....

The Assistant most successful in Industrial was Mr....., in whose District..... applications, aggregating in weekly premiums....., were written.

The Assistant most successful in Ordinary was Mr....., in whose District..... applications, representing \$..... of insurance, were written.

The Agent most successful in Industrial was Mr....., under Assistant....., who secured..... Industrial applications with weekly premiums aggregating \$.....

The Agent most successful in Ordinary was Mr....., under Assistant....., who secured..... applications, representing \$..... of insurance.

In a supplementary letter, the Vice-President pointed out that "By the use of this report we will be able to keep in touch with the operations in your superintendency in straight canvassing, and this information will not only be of value to ourselves, but of advantage to those who show a disposition to meet our desires in this matter."

Coincident with the attempt to extend the business operations of the Company by means of a more thorough canvass of the territory in which the Company's offices were located, a decided effort was made this year, and continued thereafter, to reduce to the lowest possible minimum the lapse-rate on old and new business. While it can not be too often pointed out that the larger portion of Industrial lapses is of policies on which practically nothing has been paid, nevertheless more stringent rules were applied to the conduct of the business in this respect, and material results followed a practice which could not be developed to its present degree until sufficient experience had been gained. As has previously been pointed out, the lapse-rate of the Industrial business affects much more seriously the welfare of the companies than the welfare of the insured, as the majority of

lapses represent a distinct loss to the former. Therefore, by insisting upon the watch-word that "The business that stays is the business that pays," agents were induced to devote more time and attention to the writing of business which from the outset gave every indication of being a permanent addition to the Company's insurance in force. However successful The Prudential has been in this respect, it will nevertheless be at all times a most difficult and serious problem to avoid a large number of lapses in the active efforts to materially increase or extend the business. Lapses very largely represent bookkeepers' statements made for actuarial purposes, and are really no financial loss to the insured, who, for a time at least, have enjoyed a certain amount of insurance protection. All lapses during the early policy years represent a loss to the Company, are detrimental to the business in general, and constitute a problem to the solution of which the Company's best efforts and thoughts have been devoted from the day the first application for Industrial insurance was received, on November 10, 1875.

Some of the points previously touched upon in Mr. Dryden's letter of January 1st were reiterated in his address at the Company's banquet at the Waldorf-Astoria on February 10, 1898. I make a few extracts from this address, which forms one of the most interesting contributions made to the literature of the Company's history during recent years :—

In this period of two years the Company has perfected and introduced to the American public an Industrial policy which stands in the very foreground as the most equitable, the fairest and the best policy for the masses of this Republic. Whether the comparison be limited to companies of this American continent, or to those great companies which we respect across the sea, it stands far in advance.

For the first time the holder of an Industrial policy under The Prudential's system and practice stands practically on an equality with the holder of the Ordinary policy.

We have recently done another thing, the results of which rest with you and not with us. We have determined to put every Industrial worker upon his honor and forego the requirement for a bond. We say to him in effect that we believe him to be a gentleman and an honest man, and shall treat him as such until he proves himself unworthy of it.

We stand here to-night, gentlemen, with a record behind us of twenty-two years. That is the span of this Company's life. The figures of most of the companies of the country are not as yet obtainable for this year. Of the sixty companies mentioned in the "Spectator Pocket Index" of last

year, fifteen were of the same age or younger than The Prudential, Of those fifteen but one or two had as large an income for the entire year as The Prudential had in two weeks.

Now I think, gentlemen, that there are some fundamental reasons why this fact is as it is. In the first place we introduced a system of business here twenty-two years ago, new to our people, but *which met an existing need*. We have tried sincerely and conscientiously to adapt that system to the condition of our people. We have endeavored to establish underneath all, at the very base of the Company, the underlying principle of equity and right, and have tried to inculcate among our friends and workers the belief that no matter who the party may be, however humble his position, whether policy-holder or servant, he shall have fair, liberal and honest treatment. And upon that line our business must continue.

Those who have carefully followed the writer in his survey of the early and present-day conditions, as relating to the growth and development of The Prudential, will agree that the words of Mr. Dryden are fully justified by the facts. I feel satisfied that this conviction rests equally strong with the millions of policy-holders of the Company, who are to-day, as they have been in the past, the most faithful believers in the destiny of The Prudential.

On February 15, 1898, occurred an event which has since become history, and to which, no doubt, must be largely attributed the war of the United States with the kingdom of Spain. In the explosion of the U. S. Battleship *Maine*, this country lost the lives of 253 men whose memory is consecrated to a noble cause. Among the country's heroes few, if any, will ever be held in higher esteem and more affectionate regard. Of those who perished in the disaster, seventeen sailors and marines were insured with The Prudential, holding twenty-one Industrial policies for an aggregate sum of \$3,529. It has seemed to me fitting to incorporate into this work the names of those who proved themselves their country's heroes in peace as well as in war. Those who hold and believe that peace has its victories as well as war, and who accept the modern dictum of social morality, that those who provide for themselves and their dependents through the medium of life insurance are deserving of the highest praise, will readily concede that the names of those here permanently placed on record are deserving of greater honor than those who thoughtlessly shirk one of life's imperative duties by making no provision for life's contingencies on a plan and by a method

fully within the reach of every one, no matter how humble or how poor* :—

NAMES OF POLICY-HOLDERS OF THE PRUDENTIAL, WHOSE LIVES WERE LOST IN THE EXPLOSION OF THE U. S. S. "MAINE," FEBRUARY 15, 1898.†

1.	C. Hauck,	Landsman,	Brooklyn.
2.	W. Hamberger,	Landsman,	Jersey City.
3.	E. P. Graham,	Coal-passer,	Jersey City.
4.	R. Wilson,	Chief Quartermaster,	Brooklyn.
5.	H. J. Gross,	Landsman,	New York.
6.	T. J. Jones, ²	Coal-passer,	Brooklyn.
7.	J. H. Dierking,	Drummer,	Brooklyn.
8.	T. M. Cole,	Bayman,	Philadelphia.
9.	M. F. Harris,	Quartermaster,	New York.
10.	T. Clark,	Coal-heaver,	Newark.
11.	F. L. Jernee,	Coal-passer,	Newark.
12.	F. F. Butler,	Machinist,	Harrison.
13.	T. J. Quigley,	Plumber,	New York.
14.	A. J. Holland,	Quartermaster,	Brooklyn.
15.	H. Auchenbach,	Fireman,	Sheridan, Pa.
16.	F. C. Holzner,	Seaman,	New York.
17.	J. J. Shea, ²	Coal-passer,	New York.

¹ Had three policies.

² Had two policies.

While it was not until April 21st that a state of war was declared to exist between the United States and Spain, as early as April 9th Mr. Dryden addressed a circular letter to the field force with reference to permission to the Company's policy-holders in the army or navy of the United States or the militia to serve in time of war. I quote from the letter the following extracts, to indicate the Company's practice in dealing with war risks in both departments of the business :—

In consequence of the present unsettled state of National affairs, a number of inquiries have been made as to the course The Prudential would take with regard to those policy-holders who may serve in the Army or Navy of the United States or the Militia in time of war.

The question is a serious one, in view of the large number of policy-holders of The Prudential who might be affected by an outbreak of war. After careful consideration, we have decided as follows :—

As to all policies, whether Industrial, Intermediate, or Ordinary, which may be in force at the time of declaration of war, permission is hereby given

* The only American sailor killed in the naval battle of Santiago on July 3, 1898, George Ellis, Chief Yeoman of the Cruiser *Brooklyn*, was insured in The Prudential under an Industrial policy.

† Appendix to the Report of the Chief of the Bureau of Navigation, p. 11 *et seq.* Wash., 1898.

for the insured under such policies to serve in the Army or Navy of the United States, or Militia of any State of the United States, in time of war, and no written permission for such service need be obtained from the Company, nor will any extra premium be charged. It will not be necessary to send in any policy for endorsement.

It will be observed, on examination, that permission was granted by President Dryden to the then Prudential policy-holders to serve in the army or navy of the United States, or the militia, *without the charge of an extra rate*, and to facilitate matters no written permission for such service was required. These rules and regulations were supplemented by a circular, dated November 17, 1898, with reference to prospective policy-holders in the Ordinary department, but want of space forbids an extended discussion here of an interesting phase of life-insurance history.

As a further matter of permanent interest, I give below a table showing the Company's Industrial war mortality experience, from February 15, 1898, to December 31, 1899, and including the loss of life caused by the explosion of the *Maine* :—

WAR MORTALITY EXPERIENCE, 1898 AND 1899.

INDUSTRIAL DEPARTMENT. •

	NO. OF POLICIES.	AMT. OF INSURANCE.
Lives lost by the explosion of the <i>Maine</i> ,	21	\$3,529 00
Deaths from battle and disease—		
In the United States, in hospitals and army camps,	148	22,411 00
On Transports,	4	762 00
In Cuba,	25	3,124 00
In Puerto Rico,	15	2,156 00
In Hawaii,	6	637 00
In the Philippine Islands,	19	2,889 00
Total deaths,	238	\$35,508 00

Another aspect of the disturbed state of national affairs resulting from the war with Spain, and directly affecting the interests of Industrial policy-holders, was the passage of the War Revenue Tax Act on July 1, 1898, providing that policies issued on the Industrial weekly-payment plan should pay a Revenue Tax of 40 per cent. of the first weekly premium, being equal, in

other words, to a tax of four cents on every ten-cent policy issued by the Company, irrespective of the fact whether the policy was actually placed or not. Ordinary life policies were taxed eight cents for each \$100 or fraction thereof of the amount of insurance. With reference to the Revenue Tax on Industrial policies the subsequent practice of the Company was outlined in a letter of the President, dated July 2, 1893, stating that the Company would bear the entire expense of the war tax on the Industrial business. With reference to Ordinary policies, a letter, under date of June 28th, informed the members of the field force that the revenue stamps would have to be paid for by the prospective policy-holders, but, under date of October 5th, this was modified in the manner that on and after that date, until otherwise directed, the Company would also pay for the revenue tax on Ordinary policies.*

* A tax on insurance, according to Mill ("Principles of Political Economy," Book V., Chap. VII.), "is a direct discouragement of prudence and forethought," and few have tried to defend it as a means of raising revenue, except on the ground of political expediency. One of the earliest writers on the subject well expressed the views held by economists and life insurance managers that "A tax on insurance is a tax not only upon industry, but upon prudence and frugality, and the American system seems to be far worse than that of which we have been so long complaining in Great Britain in respect of Fire Insurance, and which, by such complaints, we have recently compelled our Government to a large extent to forego." (Sir S. Morton Peto in "Resources of America," p. 377. London, 1866.) An equally emphatic statement to the same effect is to be found in the *Insurance Times* of 1868 (p. 169) on the Internal Revenue Acts of 1862 and 1864: "This is probably necessary for the present, although all taxes on prudence are open to serious objection on principle and ought to be dropped as soon as possible. * * * * A man may save from his income and be the better and richer for it, but what statesman would wish to compel citizens to economize in insurance?" Charles Sumner, also, according to the *Insurance Monitor* of April, 1884, "who had examined the subject in his usual thorough and conscientious manner," well said that "the proposition to tax life insurance was an attempt to impose a tax upon a tax," but this view, unfortunately, has found favor with but few legislators, who are, generally speaking, either ignorant of, or indifferent to, the fact that taxes on life insurance are, as a matter of course, paid by the policy-holders. As a pertinent illustration I may add the statement that in 1899 The Prudential paid \$448,855 in taxes and license fees, all of which would otherwise have been returned to the policy-holders in the form of increased dividends, larger additional benefits, or increased cash-surrender values.

A very material improvement was made in the payment of Industrial claims, of which earlier mention would have been made but for the continuity of events connected with the war measures adopted by the Company for the conduct of the business. Under date of April 4th, the Vice-President of the Company communicated to the field force new instructions with reference to the payment of Industrial claims, which I can not do better than quote in an abbreviated form :—

INDUSTRIAL CLAIM PAYMENTS.

The Prudential was the first Company in this country to pay death claims immediately upon receipt of proofs of death at the Home Office. We have now decided, in keeping with the Company's settled policy of doing the most good in the most practical way, to take a step still further in advance. Even the slight delay of sending the claim papers to the Home Office and the time necessary for the check in payment to reach the Field means a great deal to the bereaved family in a time of distress.

To overcome this delay *we are going to entrust you with the payment of all claims not exceeding \$130 on Regular White Industrial policies immediately on completion of the usual proofs of death, and before forwarding the papers to this office.* For the present, claims on colored lives, Endowment policies and all claims amounting to more than \$130 are to be forwarded in the usual way, and, after examination at this office, if they are to be paid without further correspondence, *we will telegraph you what amount to pay.* All doubtful claims must be referred to the Home Office.

We feel confident that you will appreciate the responsibility of this change and exercise the same care that you would if every dollar you paid out belonged to yourself.

The same forms will be used as heretofore, and *must* be completed before payment is made. The policy must be produced in every case; if a duplicate is submitted, no payment shall be made until you have satisfied yourself that the original is not in existence. Cases where no policy is presented must be referred to this office.

Careful investigation must be made as to the insurable interest of claimant in accordance with Rule 4 for the adjustment of claims, and doubtful cases must be referred to the Home Office.

All claims on policies bearing an endorsement other than for additional insurance, revival lien or change of age, should be sent to the Home Office for adjustment.

Insurance in Other Companies.—In case of Infantile policies where there are other insurances in other companies and the total amount of premium exceeds ten cents, they should be referred to the Home Office.

After investigation of a claim, if you are perfectly satisfied that it is a valid one, you may draw a check to the order of the claimant on the form herewith sent you, against our deposit in the bank. The check must be endorsed by the claimant and presented for payment in the usual way. The

proofs of death should contain amount paid, date of payment, check number, and, with claimant's receipt attached, be immediately forwarded to this office.

In addition to explicit instructions governing the immediate payment of Industrial claims to the local representatives of the Company, a telegraphic code was adopted for use in the payment of claims by telegraph, and it will thus be apparent that the Company adopted every possible means of improving its relation with policy-holders in this direction. Under date of November 4, 1898, after the system of immediate claim payments for certain amounts had had a sufficient trial, it was decided to make the limitation for such payments \$200, instead of \$130, which had previously been the limit. The method adopted met with universal approval among the Company's beneficiaries, and experience, now extending over a sufficient period of time, has made it clear that the step taken was a wise one, and, thus far, there has not been a single instance in which the Company's liberal practice has been abused.

Among other improvements made in the administration of the Company's business was a change in dealing with lapses on Industrial policies in cases where Ordinary insurance had been secured by the same agent to take the place of the Industrial. It must be understood that agents are held responsible for lapses to the extent that they are required in all cases to make a net increase in their business in force, and they have therefore to replace, without compensation, by new policy-holders, old policy-holders who, for one reason or another, may have lapsed their policies. This practice is warranted by the inseparable condition of the Industrial field administration, that only by holding the agent personally responsible can unnecessary lapses be avoided, and there is in this practice absolute proof that the Company is sincere in its assertion that at all times everything possible has been done to avoid lapses and retain policies on the books of the Company. However, with the development of Industrial-Ordinary insurance,—that is, the extension of insurance principles to the more prosperous elements of the population,—frequent instances came to the notice of the Company where Industrial policies were surrendered for Ordinary policies taken out in their place. To facilitate this form of transfer and place

no hindrance in the way of a material improvement in his insurance contract on the part of the Industrial policy-holder, the Company, under date of March 16th, over the signature of the Vice-President, informed the field force as follows :—

INDUSTRIAL-ORDINARY LAPSE.

We have been solicited, on several occasions, to release an Agent from the lapse of an Industrial policy in cases where Ordinary insurance has been secured by the same Agent to take the place of the Industrial.

Generally speaking, an Industrial policy-holder, who decides to take out Ordinary insurance with us, concludes, also, to retain the Industrial policy in force, looking upon the amount insured thereunder as a burial fund, the new policy being regarded in the light of an estate. This is a view of the matter to be encouraged, for it seems to be the right one.

It may occasionally happen, however, that the lapse of an Industrial policy is involved in the issue of the Ordinary. While we can not see our way clear to releasing the Agent from the Industrial lapse where the insured takes out Ordinary insurance on the quarterly or semi-annual premium plan, we shall be willing to grant a release from the lapse of the Industrial policy, provided the insured takes out the Ordinary insurance under the annual premium plan.

You may instruct your Agents to this effect, urging upon them, however, the advisability of trying to keep both forms of insurance in force.

With reference to the last sentence it may be explained that the principal object of an Industrial policy being strictly to meet burial expenses, it has been found by experience that in many cases, where Ordinary insurance is subsequently taken out by original Industrial policy-holders, the Industrial policy is kept in force as a burial provision, leaving the full amount of the Ordinary policy for surviving members of the family.

A change was made this year in the issue of Industrial policies which was also a decided and important step forward, and one which marks a still further advance over the methods employed by other companies. It had heretofore been the practice to date new Industrial policies on the Monday of the week following that in which they were sent out. This practice was changed under date of March 28th, and the field force was informed by a circular letter from the President that—

Commencing with the policies sent to the Agent to be included in his debit for April 11th [1898], we shall make the date the Monday of the week

the applications were approved at this office. Thus in return for applications obtained during the canvass of the week of March 28th, if they reach the Home Office on April 4th, and are there approved, we shall issue the policies bearing date of April 4th, instead of April 11th, as under the present plan.

The advantages of this method will be apparent at once. The Agent in canvassing can promise insurance at an earlier date than now. He can place his business without the delay which at present occurs, and follow the same up and keep in closer touch with the applicants, collecting from them each week—as the premiums, if the policies are not granted, will be returned, while if issued they are in benefit at the earliest practical opportunity.

In consequence of this concession new policy-holders were placed in immediate benefit for at least a portion of the face-value of the policy practically from the date application was made. Only those familiar with the actual operations of an Industrial agency can fully realize the importance of this step taken by The Prudential in advance of other Industrial companies.

An apparently slight, but actually very important, change was made this year with reference to charges for premium receipt-books. It had heretofore been the practice to charge policy-holders for the premium receipt-book which accompanies the policy, and in which the weekly premiums are entered by the agent, but under date of August 12th the field force was informed that thereafter no charge would be made for premium receipt-books, but that the Company would expect agents to use the same care in ordering and disposing of these books as under the system formerly in force. When it is considered that the Company annually makes use of a vast number of such books, the individual payment, however small, assumes considerable proportions in the aggregate, representing a not inconsiderable loss to the Company, which once more was assumed for the general welfare of the business and the best interests of the policy-holders.

With reference to the payment of Industrial Cash Dividends, it had been the practice of the Company to have the policy-holders call at the office of the Superintendent and collect personally the amounts due as dividends under such policies. To facilitate matters it was decided, under date of August 4, 1898, to have these dividends paid at the houses of the insured by the Assistant

Superintendent, and the views of the Company were outlined in the following letter of the Vice-President :—

INDUSTRIAL CASH DIVIDENDS.

It is our desire to pay these dividends as promptly as possible and without causing any inconvenience to the policy-holders. If this be done, we shall insure the greatest good to The Prudential and its representatives that can come through the liberal action of the Company.

As a means to this end, you are authorized to have these dividends adjusted by the Assistant Superintendents calling at the home of the parties to whom dividends are payable, and there making the proper settlement. Whenever it is practicable so to do, you should try to save the policy-holders, and others interested, the necessity of visiting your offices. If the parties wish to have the payment in cash, in preference to other method of settlement, no undue pressure should be brought to bear upon them to change their minds. Let the adjustment be made in the manner most satisfactory to the members.

We think, if proper care be exercised to see that our instructions as to the method of adjusting dividends be carried out, the work can be safely entrusted to the Assistant Superintendents.

If you should find it expedient so to do, you may occasionally use the services of your reliable Agents, so as to relieve the Assistant Superintendents when their other duties are pressing.

We shall, of course, expect you to look closely after the matter, so as to fully protect us.

This step is one fully in harmony with the theory of Industrial collections, in that experience has made it clear that working people are not in a position to leave their homes or workshops for the purpose of paying premiums or even for the occasional collection of dividends, and, to overcome possible objections to the Company's early rule to have Cash Dividends paid at the office of the Superintendent, the same was modified to meet the wishes of the public for the payment of dividends at the homes of the insured.*

* The collector in Industrial insurance is a *necessity*, it being one of the essential principles of the business that the weekly premiums must be collected from the house of the insured. Many as have been the efforts to eliminate the collector, by holding out inducements to the insured to pay at the office, by offers of a reduction of the premium, all such attempts have proven a complete failure. It has been brought out time and again in parliamentary investigations that without the collector the entire system of trading friendly societies would fall to the ground, and that one of the primary causes of the failure of Government insurance in England is to be

Among the Company's business achievements during 1898 mention must be made of one of the largest transactions ever consummated in Partnership Life Insurance in the United States. A policy was issued during the month of October for \$400,000 for Partnership insurance on the four members of the firm of Hahne & Co. of the city of Newark. The annual premium on this policy was \$13,221, the check for which was dated October 20, 1898. The firm of Hahne & Co. owns the largest department store in the State of New Jersey, having, much like The Prudential, developed from small beginnings into a structure of vast proportions. Before deciding in what company the firm would seek the insurance protection referred to, the leading life companies of the country submitted their propositions. No policy, however, so completely satisfied the members of this firm as the contract of The Prudential. It is something very considerably to the credit of The Prudential Insurance Company that, in open competition with all of the long-established old-line companies, it should have been possible for an institution, developed largely for the purpose of extending the principles of insurance to the industrial population, to consummate this year a transaction which ranks as one of the largest and most important in American life-insurance history.

Aside from the increasing public appreciation of Industrial and Ordinary insurance as offered to the public by The

found in the fact that the Post-office does not employ collectors to call for the weekly premiums at the homes of the insured. The fact must not be overlooked that many of the Industrial policy-holders hold policies for a weekly premium of but five, ten or fifteen cents. Living, as these people do, sometimes miles from other habitations, it naturally becomes a serious question how to protect properly the individual interests of every policy-holder. Experience has shown that it is only by means of the "debit" system of the Industrial companies and the payment of a reasonable commission that this function can be properly discharged. While in Ordinary insurance the renewal commissions on payments made at the office of the agent are often as high as 7½ per cent., in Industrial insurance the agent receives 15 per cent. for calling fifty-two times a year for the premiums at the homes of the insured, irrespective of the distance the policy-holder may live from the office. If to this amount of necessary labor is added an additional amount of effort required to call more than once when the insured may not be at home or not be in a position to pay the premium, it will readily be conceded that the commission paid for the collection of the weekly premiums is not an unreasonable one.

Prudential, official opinion was now more than ever strongly and emphatically in favor of life insurance for the masses on the Industrial plan of The Prudential Insurance Company. Limiting myself to a single extract from official literature, I quote as follows from the 26th annual report of Mr. John C. Linehan, Insurance Commissioner of New Hampshire :—

The industrial branch of life insurance has been put through a severe test during the past year, especially the feature devoted to the insurance of children. Some three years ago an attack was made upon it by a local paper, and the statements made at the time were of such a character that an investigation was deemed necessary. The opinions of gentlemen who were not interested in the business, but whose professions gave them opportunities to study its effect, were sought for, and in *every instance* their reply was that it was *a great blessing*, for in many instances it was the only kind of protection working people could afford to carry.

Industrial insurance furnishes one of the greatest benefits that can be received in return for the amount paid, for very often, in case of death, the insurance is all there is left, either to bury the dead or provide for the living.

A careful consideration of the subject, as well as of the figures given, and the circumstances from which industrial insurance originated, must convince all fair-minded men that the business is not only legitimate and honorable, but just as essential to those among whom it is operated as the other kind is among those more favored with the good things of this world.

To this recognition of Industrial insurance from the standpoint of public policy, I may properly add the following tribute to the good work of life-insurance agents in general by the late Rev. Phillips Brooks :—

One of the greatest blessings of the vocation of Insurance agents is that they eliminate a great deal of the worry of life; they rid men of a great many of those distressing and carking troubles that keep them from living their true lives. * * * * I fancy there is no profession that profits so much by the great work that life-insurance agents are constantly doing as the profession of the ministry. By it they are set free to do what they are commissioned to do, careless how long life is going to last, sure that God will care for those they love, because in His Providence He has led men to organize this great interest of life insurance for their protection.

What Bishop Brooks said of life-insurance agents in general applies with special force to the daily labor of the vast army of Industrial agents, carrying into the homes of the industrial millions the teachings of a quarter of a century of insurance efforts

and results, and completely fulfilling Mr. Dryden's early ambition, to make a success of Industrial insurance in America along the same lines which made possible the gigantic success of Sir Henry Harben's scheme in his half-century management of The Prudential Assurance Company of London.

I have purposely refrained in this work from making more than incidental mention of the large number of letters of thanks and appreciation which constantly reach the Company from beneficiaries under Industrial policies, but I here include a short letter which is so full of pathos and indicates so clearly the beneficent mission of Industrial insurance, that I reproduce the same in full as quoted in *The Prudential Weekly Record* of October 17, 1898:—

PHILADELPHIA, PA., September 27, 1898.

TO JOHN F. DRYDEN, Esq.

Dear Sir:—I would state that I have received the money on policy 662,025, being \$187.95. I was very much pleased at your promptness in settling up my claim, as I was in need of money to bury my wife, and *without that assistance the county would have had to bury her*, as I have been out of employment for months, and I can assure you, Mr. President, that I highly appreciate your kindness and consider your institution as the real "Savings Bank" of the poor people, and whenever or wherever I can say a good word for it I will do so with pleasure.

I remain,

Yours very respectfully,

2012 South Gratz Street,
36th Ward, Philadelphia.

ROBERT MACCLERMONT.

The results of the year 1898 had been exceedingly satisfactory. In the Industrial department the number of policies had increased to 2,924,526, for an aggregate amount of Industrial insurance protection of \$333,992,200. In the Ordinary department, under the new system of making each representative of the Industrial also a representative of the Ordinary department, the business had been increased to 71,927 policies for an aggregate amount of \$80,554,853 of insurance protection. Corresponding increase had been made in the assets and surplus of the Company, while the total annual payments to policy-holders during the year reached the colossal sum of \$5,389,403. The actual premium income of the Company from both the Industrial and Ordinary business exceeded \$16,000,000, while the total income, including interest, etc., was \$17,481,876.

The results of the year's business operations had therefore been very gratifying and had proven a most emphatic public endorsement of the Company's conservative policy of a prudent liberality in dealing with its policy-holders in its own way according to the light of its own experience.

In his annual letter to the field force for the year 1899, Mr. Dryden, under date of January 1, 1899, commented upon the excellent record made during the preceding year, and, in words which are deserving of being reproduced, once more emphasized the importance of reducing the lapse-rate: "The Company desires and is striving to keep the lapses down to the minimum, and everything within the rules of the Company must be done to keep the membership intact. When it is finally decided that premiums can not be collected, see that Paid-up Policies (if the insured are entitled thereto) are applied for." Thus the Company's interest in its policy-holders is made manifest by its rules, under which agents are not only required to put forward every effort to keep policies in force, but in cases where the lapse of the policy is inevitable special efforts must be made to protect the interests of the insured, and it may be said, with all the emphasis which it is possible to put into words, that not a single policy has ever lapsed which, as far as it was within the power of the Company, would not be on its books to-day, had advantage been taken of the exceptional opportunities given for revival or reinstatement. With special reference to paid-up policies, the President stated in his letter that—"The number of Paid-up Policies in force upon our books is now 82,984, covering insurance for \$3,690,205. The number issued during 1898 was 33,619, representing insurance for \$1,670,360." In commenting upon the exceptional record made in the Ordinary department, in which there had been a net increase of \$21,000,000 in the insurance in force, the President paid the following graceful tribute to the field force: "*These facts and figures tell of the steady and permanent devotion and loyalty to the Company's interests, on the part of the field staff, that we have long maintained can not be paralleled by any other company.*"

CHAPTER XV.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, 1899.

By January 1, 1899, The Prudential had achieved results which are practically without a parallel in the history of American life insurance. The experiment commenced in 1875 had been developed into a success of gigantic proportions. Where once there had been a question of doubt, where once the voice of pessimism had been ready to decry this early effort to extend the principles of genuine life insurance to the masses, every competent critic and financial authority now readily conceded to the founders of Industrial insurance the foremost position in the life insurance world. Among others the *Insurance Monitor*, in a brief reference to the results achieved by The Prudential during 1898, related the following instance of well-deserved approval: "We heard some high praise of the Prudential officers the other day, from one of the leading lights in life insurance. The officers of The Prudential have long realized that Industrial insurance must be conducted in the interest of the masses, and any action which would seem to them likely to be construed otherwise would be pretty sure to meet with their disfavor. It was the personal appeals and arguments of President Dryden to the industrial classes, for their own interest, that laid the foundations of the business in this country. He is studying that interest to-day." To these remarks I add an extract from the *Camden Daily Telegram* of January 27, 1899:—

The twenty-third annual statement of the Company, issued the first of this year, gives to its policy-holders in a concise, business way, a clear insight into its present and remarkable continued healthy growth. The investments are wisely and prudently made by experienced, able and honest financiers, who give their undivided time and abilities to the interests of the Company, at the head of which stands the President, John F. Dryden. Though at the head of an efficient staff which renders him such valuable support, yet much of the unprecedented success of The Prudential is due to the hard work, rare financial qualifications and sagacity of its President,

who has perfected its organization until it is now like a completed machine, independent of the direction of a single head for its future smooth running. Such has been Mr. Dryden's great ambition, and, while he has lived to see its fruition, there is every prospect that he may enjoy it for many years to come.

The people of New Jersey are justly proud of the fact that this great institution was founded in their State, though its business has so long since outgrown the confines of any specified locality or country. The home office in Newark legally designates it as a New Jersey corporation, while as a taxpayer it is one of the largest contributors to the State Treasury, and outside of railroads the largest, its assessment last year, promptly paid, being no less than \$56,980.42. This sum does not include municipal taxes, which it pays direct to Newark.

It is but proper that mention should be made here of a factor of not inconsiderable importance in making for the great success of The Prudential in the Ordinary department. Sometime during 1896 The Prudential Company commenced the use of a striking advertisement in the nature of a reproduction of the Rock of Gibraltar, across the face of which, in bold letters, appeared the motto—"The Prudential has the strength of Gibraltar." This advertisement is to-day considered the most striking one of its kind, and by this means the name of the Company has become more than ever a household word throughout the entire country. By a curious coincidence this advertisement proved the fulfillment of a singular prophecy already referred to in the earlier part of this work.* The Newark *Morning Register* of November 13, 1875, concluded an editorial on the new aspirant for life-insurance honors in America with the statement that "The Society may be said to be founded upon a rock." It was pointed out in *The Prudential Weekly Record* of July 31, 1899, that it was no longer the whole truth that the Company "may be said to be founded upon a rock," "for there is now no *may be* about it. It is now an established fact, one that is not only unquestioned, but absolutely unquestionable, that The Prudential is 'founded upon a rock,' and stands to-day, in its way, equally a synonym and symbol of strength and impregnability with the renowned stronghold that, a little more than a century ago, successfully resisted a four years' siege." It will be granted, I believe, that seldom has an advertisement so completely

* *Ante*, p. 58.

represented a business organization and its past history in so concise a phrase as "The Prudential has the strength of Gibraltar," for of few companies or business organizations can it be said, in the light of the history which is here given in as much detail as limited space will permit, that it was built on solid foundations, and with the fixed determination that on such foundations a structure should be reared which should stand antagonism, opposition, the most fierce competition, and the inevitable changes of time. While perhaps a quarter of a century is too short a period to demonstrate the permanency of such an institution as The Prudential, it must not be forgotten that, aside from its financial security and foundation on correct principles of finance and the law of mortality, the Company rests equally secure in the affection and regard of more than three and a half millions of loyal policy-holders, and almost 15,000 employees whose steady and permanent devotion and loyalty to the Company's interests, in the words of Mr. Dryden, "cannot be paralleled by any other company."

As an illustration of the continued increase in the popularity of the Company, mention must be made of a very important transaction that occurred during the latter part of the month of December, 1898, and to which extended reference was made in *The Prudential Weekly Record* of January 2, 1899. The firm of Montgomery Ward & Co., of Chicago, had effected an arrangement with the Company by which whole-life policies were written upon the lives of 150 of the married employees of the firm. The policies were presented as a Christmas gift, one year's premium having been paid thereon in full. In referring to this transaction, *The Prudential Weekly Record* stated that "The firm selected the regular policies issued by The Prudential as the best they could find in the market for the purpose desired. In a letter of presentation accompanying each policy the firm said: 'As to the Company and plan, we selected The Prudential because of its strong financial standing, coupled with the great liberality of its policy contract, with its incontestability, loan and surrender values, automatic non-forfeiture, etc.'" The transaction naturally attracted considerable attention, and must be classed as one of the important events in life-insurance history.

Influenced, no doubt, by the Montgomery Ward example, the *Ithaca Daily News*, during the latter part of the year,

completed an arrangement with The Prudential for insuring its employees, including even the carrier-boys, under policies in the Industrial department of the Company, all the premiums being paid for a period of some months by the newspaper, thus offering a direct incentive to its employees to make an insurance provision against death and other contingencies, on the Industrial plan.

A determined effort was made this year to increase the efficiency of the field force by improved methods of "straight canvassing," and special straight canvassing agencies were established independent of the regular local offices, with an exceptional degree of success. In referring to the subject under date of March 13th, the Vice-President, in direct charge of the vast field operations, addressed the superintendents in a letter, from which I make a few abstracts:—

In order that you may thoroughly understand what we mean by the term A Straight Canvassing Superintendent, Assistant or Agent, we would state that each should start absolutely without debit* and receive no transfers whatever.

We propose to appoint Superintendents without debits in every locality where we think the conditions warrant it, providing suitable men are available.

If a Superintendent feels that he cannot make a success of this feature of the business, we advise him not to undertake it; but we have already demonstrated in a number of cases that Superintendents, Assistants and Agents can succeed under the conditions set forth.

This letter was supplemented by another communication, dated March 31st, in which the question of agency compensation under the new arrangement was dealt with in detail. I quote

* The term "debit" is applied to the total amount of weekly collectible premiums charged against an agent and for which the latter is responsible. A "debit" is determined by deducting from the premiums of the total number of policies issued or transferred to an agent the premiums of the policies terminated by reason of lapse, transfer or death. If, for example, \$80.00 of weekly collectible premiums have been issued to the agent and \$12.50 have been terminated for some reason or other, the agent's "debit" would be \$67.50. This amount of premiums the agent is expected to collect and in return he is paid a commission of 15 per cent., which is termed "ordinary salary." In a general way it may be said that the average collection will reach from 98 to 99 per cent. of the weekly collectible debit, while the average debit is approximately fifty dollars.

from the letter of the Vice-President a few passages of more than passing interest and importance :—

The magnificent support which has been given this movement throughout the Field, and the well-known ability of our Staff to produce new business of the highest grade, encourages us to believe that no interests will be jeopardized and no dangers met with if we extend to Superintendents with debits, as well as to those without, the privilege of making advances, when necessary, to new Agents during those first weeks of their service when no special salary can be regularly received.

Advances are to be made only to *new Agents*, and only when in the judgment of the Superintendent they are necessary to secure the services of permanent and reliable men.

A satisfactory amount of new business, known by the Superintendent to be of good quality, must be in hand before an advance is allowed.

No advance is to be made after the time when special salary could have been received in the regular course.

The Agent must, in every case, be made to understand that the advance is in the nature of a loan, to be repaid by him as soon as he makes regular earnings.

It will be observed, on close examination of these extracts, that the Company's interests were well protected, while at the same time new agents, engaged at first in a rather difficult field, were encouraged by slight advances, sufficient to meet living expenses, until by their own efforts they had succeeded in establishing a permanent and sufficient income.

The careful attention given to every detail in the management of the field force of The Prudential is perhaps nowhere better set forth than in a letter from Vice-President Ward to a newly-appointed superintendent for his guidance in managing the affairs of his district. The letter was republished in *The Prudential Weekly Record* of January 16, 1899, and the following extracts will illustrate the Company's interest in the economic and efficient administration of its district offices :—

On assuming the management of a District for this Company you should realize that the responsibilities of your position are of considerable magnitude.

The Prudential desires to be known well in every community as fair-dealing and liberal in its treatment of policy-holders and others connected with it. Let it be your constant aim to do right and to see that those under you act with the same purpose—all working to promote and advance the reputation of the Company and its employees. The opinion of the people

who know The Prudential only by reputation will be influenced favorably or adversely according as the local office is managed.

Your position as Superintendent entitles you, in a business way at least, to an acquaintance with the most influential residents, and you should deport yourself in a manner that will command the respect and confidence of the community at once and *only employ those who will measure up to the same standard.*

Instruct your force never, under the penalty of immediate dismissal, to misrepresent a contract. Have the Company's rules strictly enforced. Examine the agents' collection books frequently, and see that policies are lapsed under the four weeks' rule. Retain every good or promising agent if possible—"finals" mean lapses. Insist on Straight Canvassing. Encourage each man to write Ordinary and to make the attempt to get Annual Premiums.

Select for Agents men who are thoroughly respectable and possessed of the qualities which make for success—honest, earnest, industrious and sober men. Get good material to work upon, and then spare no pains in the development. If you begin aright, the after-work is much easier. Do not let an Agent go for want of a little time and care. Remember it is a part of your duty to make Agents and Assistants successful.

We shall personally watch your record with a great deal of interest, and give you all the time and opportunity we think necessary to insure your continuance as a Superintendent. The fact of our placing a District in your hands shows our confidence in your ability and integrity, and you have our best wishes for success.

The truly national character of The Prudential was once more illustrated in the great fire which destroyed the Hotel Windsor in New York City on March 17, 1899. There were found, four days after the fire, wrapped up in an old shawl with a bank-book, two Prudential policies on the lives of persons living in the hotel. The incident is referred to in *The Prudential Weekly Record* of April 10th, in which also a reproduction of the half-charred policies is given, together with the following comments :—

Investigation by Prudential representatives discovered, happily, that the two persons named were not among the lost, but are still alive; also the following facts :—

Both women are married. Mrs. McDonald was in the employ of the hotel. Her sister, Mrs. White, is in Europe, and had left her policy in care of her sister. Together with Mrs. McDonald's effects, including her policy, her bank-book and \$600 in cash, Mrs. White's policy was placed in her sister's trunk. The latter was destroyed, also the money, all that remained being the bank-book, policies and the brass padlock of the trunk. Mrs. McDonald was on the fourth floor of the hotel when the fire broke out, but escaped.

This connection of ours with an occurrence that has shocked and horrified the whole country again calls to mind the all-embracing and truly national character of The Prudential. No great fire, explosion, railroad accident or other mishap or disaster involving large loss of life can now occur in which this Company is not somehow concerned, and generally as a ready helper in time of sorest need.

Another policy-holder of the Company living at the time in the hotel also fortunately made her escape without serious injury.

Mention has been made, in an earlier part of this work, of the passage of a law in the State of Colorado in 1893, prohibiting the insurance of minors under the age of ten years. In compliance with a strong local demand for the repeal of this law, officially voiced by the Insurance Commissioner, a determined effort was made this year to repeal the law of 1893, and enact in its place a regulating statute practically identical with a similar law in force in the State of New York and the Province of Ontario. With this object in view, House Bill No. 317, a copy of which is given below, was introduced into the Colorado Legislature by Mr. Arthur Bartels, of Denver:—

BILL REGULATING THE INSURANCE OF MINORS.

SECTION 1. Any person liable for the support of a child of the age of one year and upward may take a yearly renewable term policy of insurance thereon, the amount payable under which may be made to increase with advancing age and which shall not exceed the sums specified in the following table, the ages therein specified being the age at time of death, and which, after the age of thirteen, may become an ordinary life policy for an amount not exceeding the sum specified in the table:—

Between the ages of one and two years, thirty dollars.

Between the ages of two and three years, thirty-four dollars.

Between the ages of three and four years, forty dollars.

Between the ages of four and five years, forty-eight dollars.

Between the ages of five and six years, fifty-eight dollars.

Between the ages of six and seven years, one hundred and forty dollars.

Between the ages of seven and eight years, one hundred and sixty-eight dollars.

Between the ages of eight and nine years, two hundred dollars.

Between the ages of nine and ten years, two hundred and forty dollars.

Between the ages of ten and eleven years, three hundred dollars.

Between the ages of eleven and twelve years, three hundred and eighty dollars.

Between the ages of twelve and thirteen years, four hundred and sixty dollars.

Between the ages of thirteen and sixteen years, five hundred and twenty dollars.

Between the ages of sixteen and seventeen years, six hundred and twelve dollars.

Between the ages of seventeen and eighteen years, seven hundred dollars.

Between the ages of eighteen and nineteen years, seven hundred and eighty-four dollars.

Between the ages of nineteen and twenty years, eight hundred and fifty-five dollars.

Between the ages of twenty and twenty-one years, nine hundred and thirty dollars.

SECTION 2. All acts and parts of acts in conflict herewith are hereby repealed.

SECTION 3. In the opinion of the General Assembly an emergency exists; therefore, this act shall take effect and be in force from and after its passage.

It will be observed, on examination of this bill, that adequate provision was made against speculative insurance of any kind, either on the part of Industrial or Ordinary companies; that the bill covered all ages under twenty-one, and permitted at the younger ages insurance for amounts just about sufficient to meet funeral expenses and the cost of the last illness. The bill had the approval of the Superintendent of Insurance, the Hon. H. H. Eddy, who had taken pains to secure information and data with reference to the transaction of this form of insurance in other States of the Union. A circular letter had been addressed by Mr. Eddy to the Insurance Commissioners of leading States, stating that—

I would esteem it a very great favor if you would kindly advise me as to the results of the prosecution of this kind of insurance [Industrial] in your State, and whether, in your judgment, the repeal of the present prohibitive law and the enactment of a permissive law, with proper restrictions placed upon and proper regulation of the insurance companies provided for, would be a benefit to the community at large, or otherwise.

In reply to Mr. Eddy's letter, the Insurance Commissioner of New Jersey, the Hon. Wm. Bettle, said:—

As you are doubtless aware, industrial insurance, on the lives of both adults and infants, has been prosecuted in this State for many years, and has attained a volume as large perhaps, if not larger, in proportion to population, than any other State in the Union, and *this Department has yet to receive the first charge or complaint that the insurance of children under ten years of age was productive of infanticide.* I have long since

rejected the assertion as entirely unfounded and unjustifiable. The beneficence and value of this kind of insurance have been demonstrated beyond question, and there can be no doubt that the repeal of the present statute of your State prohibiting the insurance of children under ten years of age, and the enactment of a law permitting this to be done, with proper restrictions upon and regulation of the companies transacting it, would be a great benefit to its people.

The reply from the Insurance Superintendent of New York was as follows :—

The recognition given insurance of this character is contained in section 55 of our insurance law, chapter 690, laws of 1892.

This Department has never had any cause to criticise the provisions of this section of the law. I note your statement that the principal argument which has been used against the passage of such a law in your State is that it would be productive of infanticide for the purpose of obtaining the insurance. I am of the opinion that this is a very poor argument, and certainly the records of insurance corporations carrying on business of this character will not bear out any such statement.

A likewise favorable reply was received from the Insurance Superintendent of Illinois :—

No evidence has been presented to this Department, and I am not aware that any exists, that this character of insurance has resulted in increasing, or has been productive of infanticide. I believe that the experience of the companies who do this kind of business has demonstrated that under proper restrictions it is a benefit both to the parents of children who are insured, who are usually in poor circumstances, and likewise and in consequence a benefit to the community at large. Since my incumbency in the office of Superintendent of Insurance, no complaints have been made of the evil effects of this insurance, or of any wrongful practices peculiar to this character of insurance.

From Ohio, where a vast amount of Industrial insurance has been transacted for many years, the official opinion on the part of the State Superintendent of Insurance was expressed in the following words :—

Industrial insurance has been written in Ohio for several years, and so far we have never had any complaints from any sources showing that there has been any criminal or immoral effects arising from it. My opinion is that no such effects come from the business.

From the State of Massachusetts, where a few years before a considerable agitation had resulted in an official investigation of

the entire subject, the Deputy Insurance Commissioner replied as follows :—

The business has been almost wholly confined to the operations of the three large companies which have made a specialty of it, and the *popular verdict upon its results has been one of full approval and commendation.*

The industrial companies have had to struggle against prejudice, ignorance, jealousy and a thousand impediments that inevitably attend the promotion and building up of a new system, until its usefulness and value have asserted themselves and vindicated its adoption. Its progress has been steady and aggressive, until now probably not less than ten millions of lives are insured under it in this country, while in England probably one-half of the entire population are included in similar institutions there.

Very many inquiries and investigations have from time to time been instituted, and very thorough and searching examinations have been had. The most important of these and of greatest length and breadth of inquiry were in the Commons House of Parliament of Great Britain, and by the General Court of Massachusetts in 1895. *The verdict in both cases was a practically unanimous approval of the plans of the companies, the vote in the Massachusetts House being 149 to 23.*

The system of industrial insurance can be successfully carried on only in cities or thickly settled communities of mechanical or industrial operatives, where the collection of the small weekly premiums can be quickly and economically made. *It is, if not essentially, at least very largely, family insurance, and if the insurance of the children at the same time with the parents is not permitted a very great part of its attractiveness and value would be lost.*

A similar reply was received from the State of Pennsylvania, where also more or less agitation had led to numerous attempts at adverse legislation :—

The claim that the insurance of children at an early age is productive of infanticide for the purpose of obtaining the insurance is entirely fallacious, the amount of the policy in the case of a child under ten years being so small that the temptation to commit a crime of that sort is almost entirely eliminated.

The Insurance Commissioner of Connecticut stated that—

I believe it is a benefit to any State, and I believe that the companies themselves are trying to prosecute the business to treat the policy-holders fairly, and to pay their claims promptly.

This kind of insurance has been conducted across the water successfully, and it is now increasing rapidly in this country. *I believe that every State ought to open its doors, with such restrictions as they might deem best, to allow this business to be transacted. It is legitimate, it has done a great good to the community and has benefited and is benefiting thousands.*

Summing up the results of his investigation, Mr. Eddy expressed himself forcibly on the subject as follows :—

As to the Insurance Department of Colorado, I may say that it has again and again recommended the repeal of the law of 1893, which absolutely prohibits the insurance of minors under ten years of age, and favored the enactment, in lieu thereof, of a regulating statute, similar to that which obtains in other States of the Union, being an exact copy as to detail of the statute now in force in the State of New York and the Province of Ontario.

The department is in possession of no facts, nor have any come to my personal knowledge, tending to show that the insurance of minors is not in every sense as legitimate, as beneficial or as necessary as the insurance of adults.

It will be observed, on careful reading of the preceding extracts, that without exception the Insurance Commissioners of the principal States of the Union in which Industrial insurance had been conducted for many years were strongly in favor of the insurance of children for small amounts, and this view, as has been pointed out, was based on careful personal investigation and the records of the departments officially in charge of the insurance interests of the different States. The passage of the bill was from the outset bitterly opposed by a few members, including the Secretary of the Colorado Humane Society, the same body which in 1893 had succeeded in placing the prohibitive law on the statute-book. A strong effort was made by the Society to create a sentiment adverse to the passage of the law, especially among kindred societies. The subject being practically unknown to a large number of people outside of the industrial population, it became necessary to disseminate information pertaining to the subject of Industrial insurance, but within a short time after the opposition manifested itself some of the leading and most respected citizens of the State came forward with emphatic statements of their views in favor of the passage of the bill and the repeal of the law of 1893. Among others, Mrs. Sarah S. Platt, President of the State Board of Charities and President of the Women's Club of the State of Colorado, in an open letter under date of February 20, 1899, expressed herself as follows :—

In my charity work in Holyoke, Mass., where the majority of the people are factory workers and where large numbers are insured on this plan, I had often occasion to meet with the good results of this form of saving. I met with abundant proof that by this method of insurance much misery was

directly prevented in that the people were placed above the need of public support to bury their dead; but furthermore, in that *much good was done in an indirect manner by teaching the working people systematic habits of saving in other directions*. Although I have seen much of the actual workings of this method of family insurance, I have never met with an instance where harm was likely to result, and for these reasons, and as the result of my personal knowledge, I agree that the prohibitory law of 1893 should be repealed and be replaced by a regulating statute such as is in force in other States.

The Rev. Edward Pearsons Newton, President of the Associated Charities of Pueblo, Colo., also dealt with the subject in an open letter dated February 16th:—

For years my interests have led me to read much upon social and charitable lines. I believe Industrial Insurance makes for thrift and independence, and these are above all things to be fostered among the poor. I heartily desire its introduction among the wage-earners of Pueblo, of whom we have so many.

Among others, the Rev. Thos. H. Malone, Editor of the *Colorado Catholic*, a member of the State Board of Charities, and one of the foremost of the Catholic clergy of the State, not only expressed his views in an open letter dated February 25th, but also appeared personally before the Senate Insurance Committee in favor of the repeal of the law of 1893. From his letter I quote the following extract:—

I have given the matter some thought and consideration with special view of the moral aspects of the whole question, and in the absence of any facts detrimental to this method of insurance, and in the further absence of any reasonable theory of public morals as opposed to it, I am in favor of the repeal of the law of 1893 and the enactment of a regulating statute, which will not only correct a former injustice, but do much to place the business as a whole on a better legal foundation, since I understand that the law itself has been declared unconstitutional. As one having some knowledge of the life and labor of the working people of this State, I do not hesitate to say that I feel satisfied that they can be trusted in this matter, and that they should not be deprived of the liberty to place a small insurance protection on the lives of every member of the family as may to them seem expedient and desirable.

These views of recognized authorities on matters relating to public welfare, with special reference to the administration of public charities, are supplemented by a letter addressed to State Senator J. C. Evans, in reply to a letter of inquiry as to the

insurance of minors in the city of Boston. During the agitation of 1895 in the State of Massachusetts, when an attempt was made to prohibit the insurance of children under ten years of age, Mr. Thos. T. Stokes, Director of the Associated Charities of Boston, had appeared before the committee of the Legislature and had expressed himself strongly in favor of the insurance of children. Senator Evans addressed a letter to Mr. Stokes, making inquiry as to whether subsequent experience had been such as to induce him to change his views in regard to the subject. In reply Mr. Stokes expressed himself as follows :—

I beg to say that my ideas are the same as when I was quoted before a committee of our "General Court." I believe there may be abuses, but to prevent thousands saving because a few may spend their money foolishly is no argument. Then again, I believe in thrift and to try and encourage people to save. I firmly believe that in Massachusetts there has never been a case where a child has been murdered by neglect, or quicker means, for the insurance. I am not a teetotaler, but when money goes any way out of the saloon it's for the better interests of the public. It's said undertakers are most interested in keeping alive child insurance; well, the poor have feelings as the rich and love their children, why should they not take pride in having a respectable funeral? And it's better to be prepared than when the time comes to be burdened by a load of debt. The good people who were, and are, against this class of insurance offer no suggestions, and are the first to cry out about "the improvidence of the poor." I had charge as president of wards 13, 14 and 15—seventy-five thousand people—for years. I have seen people have but little money by them, but do their best to keep up the payments; *it's a wonderful object lesson*, and those who from their fine residences offer suggestions and nothing else are not fit judges.

A large body of evidence was presented from all parts of the country tending to show that charges made against the system were unfounded, and based on prejudice, ignorance or personal spite, and these views gradually prevailed with the outside public, as well as with the members of the Legislature. A large number of petitions were received from the three principal cities of the State, aggregating thousands of names of men and women voters of the State, asking the Legislature to repeal the law of 1893 and enact the regulating statute outlined and defined in House Bill No. 317. As illustrating the widespread extent of the agitation in favor of the passage of the law, I cannot do better than quote from some letters from citizens of Denver, making clear the views of working men and working women, aiming in

their own way, and within the limit of their own means, to improve the conditions of their struggle for a higher and a better social life and provide, as far as possible, against the hardships and contingencies of human life. The following extract is from a letter from Mrs. Annie B. Bradley, of No. 402 South Broadway, Denver, Colo., dated March 10, 1899:—

I cannot better express my convictions on the subject than by stating that the lives of my two children, as well as of every other member of my family, have been insured for the past seven years, and I feel quite sure that those who know me will not think that I placed this small amount of insurance provision on the lives of my children out of any mercenary motive or for any purpose of gain. I believe in insurance for children as much as I believe in insurance for adults, seeing in this method of saving the best means of making provision for possible emergencies. I find it difficult to express my feelings as to those who have, in the most malignant and uncalled-for manner, insulted those who have thus given practical proof of their belief in the merits of Industrial insurance. To my mind, the so-called humane societies who are opposed to House Bill 317 are absolutely ignorant of that portion of our population who avail themselves of this method of saving and insurance. I am, perhaps, as familiar with the life of the wage-earners of this city as any one, and to my mind *only those who have forethought and thrift make use of this method of family insurance.*

From all that I can learn, those opposed to the bill regulating the insurance of minors and repealing the law of 1893 have not brought forward a single fact in support of their slanderous and libelous allegations. In justice to the thousands of self-respecting and upright people of this city who believe in Industrial insurance, I protest against the mischievous, misleading and insulting method pursued by the Secretary of the Humane Society. The man does not speak for the wage-earners of this city, but rather misrepresents the best interests of the working people of this State. *I feel quite sure that we are more competent to judge of the merits of Industrial insurance than these self-appointed social reformers, who have never been asked by any workingman, woman or child to represent their side of this question.*

A still more emphatic expression of the workingmen's view of the case is found in the following letter from Mr. Jacob Hauck, a shoemaker of No. 2044 Humboldt street, Denver, Colo.:—

I have heard a good many arguments in regard to this bill. I for one believe in Industrial insurance and always advocate it, and I know what I am talking about, having lost two members in my family who carried that kind of insurance, and it was a great help in need. It is a grand institution for the poor. If a man has a large family like myself and has to work for a living, it is almost impossible for him to lay away money; he needs it all

for the support of his family. But I could always pay five or ten cents a week to some Industrial company and never miss it, and when death comes you don't have to ask cold charity for help. When I lived in the East I had all my children insured, and, thank God, none of them died. Here in this city I lost a child which never was insured, and do you know where that poor thing is buried? Away out in the prairie is a place called Potter's Field, and there, among unknown men and women, lies that child of mine. It makes my heart ache when I go out there and look at the place where my child is buried. I take it as a personal insult when I hear people say that the poor would kill their little ones for a few pieces of silver. No; they insure them because they love them, and when they die they can be laid away decently. I look on this kind of insurance as a savings bank for the poor. I have carried this kind of insurance in my family for the last fourteen years, and never saw anything in any way where the company tried to make you give up your insurance so they could profit by lapses. On the contrary, if one mentions one word to the agent as to lapsing a policy he does all in his power to prevent it and to induce one to keep it up. If he does not succeed he will call in his assistant superintendent, and if he can not make one keep up the policy, the next one to call is the superintendent of the district, and they will all tell the same story, "Keep it up—don't drop it—don't give up your insurance."

Another lengthy letter addressed to Mr. Bartels, the champion of the people, was from a Mrs. L. F. Alexander, of No. 1462 South Tremont street, Denver, Colo. This letter also illustrates the strong views held by working people of the State on the subject of prohibitive legislation, and I may be permitted to make a brief extract which is deserving of a permanent place in this summary of public opinion on the subject of Industrial insurance :—

Industrial insurance, to my mind, is a *Godsend* to the class of people who, by paying a small sum weekly, provide themselves with the means to give their little ones a decent burial without the assistance of the county. The idea has been advanced [by the Humane Society] that child insurance causes parents to murder or neglect their children, whereby they would receive the pitiable sum which in some cases would not defray the expenses of burial. Such an argument, to my mind, is simply absurd. In the same argument the suggestion was made [by the Humane Society] that the county could bury the children of the poor. Another absurd idea! Why should poverty restrict the affection and respect of parents for their children? In the same argument it was said that children would be deprived of the necessities of life by their parents paying from five to ten cents a week on the Industrial policy. True, Death does not visit every home of the poor, but in case it should, how much more difficult for the parents whose children are not insured to defray funeral expenses, which must be paid, than to pay the paltry sum of five or ten cents a week for the insurance? Having laid away

two little ones under very trying circumstances, who were not insured, I know whereof I speak. I fail to see wherein the Humane Society is doing an act of humanity by opposing the insurance of children.

The result of this agitation, extending, as it did, over a considerable period of time, is best summed up in the following extract from the *Weekly Underwriter* of April 15, 1899 :—

A feature of the legislative period was the strong fight made to secure the repeal of the present prohibitive law relating to child insurance and to secure the passage of an act permitting the insurance of minors under the age of ten years, under proper restrictions and safeguards. At the outset the Humane Society and the newspapers vigorously opposed the proposed change. The industrial company waged a campaign of education, printing and distributing a number of telling circulars. In spite of prejudice arising through ignorance, misinformation and malice, the bill passed the House,* and a strong majority for it was found in the Senate; but as it arrived in the Senate late in the session, a determined effort to filibuster indicated by two senators compelled the majority to surrender the bill in order to pass other measures in the limited time left at their disposal. Had the bill reached the Senate a few days earlier, it would undoubtedly have passed.†

Although but little more than seven years had passed since the new office building of the Company had been occupied for business purposes, it had gradually become evident that the rapid increase in business would require a very considerable addition to the Company's office accommodations. While at first a large part of the building had been leased for general office

* In Colorado women have a right to vote and hold office. It is therefore of interest to note that of the three women members of the House of Representatives, Dr. Mary F. Barry, of Pueblo, and Mrs. Harriet G. R. Wright, of Denver, voted in favor of the repeal of the prohibitive statute of 1893.

† In Ohio an attempt was made in the early part of 1900 to pass a bill prohibiting the insurance of children under the age of twelve. In few sections of the country is Industrial insurance so thoroughly understood as in Ohio, where, on account of the large urban population, a very considerable proportion of the people are insured on the Industrial plan of family insurance. The bill was very carefully considered by the Senate, hearings were granted to the companies opposed to the measure and to the Ohio Humane Society, in favor of the bill. Every phase of the business received exceptionally careful consideration on the part of practically every member of the Senate. In view of these facts it is of more than passing interest to note that the bill attempting to prohibit the insurance of minors, under the age of twelve, in the State of Ohio, was defeated by a vote of 24 against the measure and only one vote (the author of the bill) in its favor.

purposes, gradually; as these leases had terminated, the space had been occupied by the Company for its own purposes. Anticipating the necessity of new buildings, additional real estate had been purchased, and during September, 1899, ground was broken for the erection of three new structures adjoining the present home-office building. When completed the home office of The Prudential will be unsurpassed by any similar building in the world as a structure devoted almost entirely to the transaction of a life-insurance business.

Before I review the year's results in more detail, it is but proper that mention should be made of an event of exceptional importance in the history of the Company. I have on previous occasions referred to the loyalty of the agency force and the Company's high appreciation of the continued service of its men. Among those who entered the Company's employ at a critical period of its existence, at a time when the business was in its very infancy, and when exceptional courage and extraordinary effort were required to make the business a success, was Superintendent Peter Egenolf, who had entered the Company's field force as an agent on the 10th of November, 1879, or exactly four years after the first application for Industrial insurance had been received by the then Prudential Friendly Society. Mr. Egenolf celebrated the twentieth anniversary of his connection with the Company by a banquet tendered by him to the officers of the Company and the employees of his own office at the Hotel Savoy on November 10, 1899. At the dinner, Mr. Dryden, as President of The Prudential, paid Mr. Egenolf a high tribute as a worker in the service of the Company, as one who had borne himself with rare skill, energy and fidelity all through his long service. He gave some interesting reminiscences of Mr. Egenolf's early connection with the Company, and concluded by presenting him with a certificate of membership in The Prudential Old Guard, Class D, likewise with the diamond badge which distinguishes the members of the Old Guard who have been twenty years in the Company's employ. The Vice-President of the Company, Dr. Leslie D. Ward, also dwelt in his remarks upon the splendid qualities of Mr. Egenolf, referring to him as one of the men who had so ably helped to build up The Prudential, and concluding with the statement that "No man in its field service is more highly esteemed than Mr. Egenolf."

Another veteran Superintendent, Mr. C. V. Dykeman, of the Long Island City District, celebrated the completion of his twentieth year of service with the Company by giving a banquet at Delmonico's to his brother Superintendents of the Long Island District and some representatives of the home office. Mr. Dykeman shared equally with Mr. Egenolf the honor of having been one of the Company's most loyal and faithful Superintendents during a period when such services were needed most. Mention must also be made of Mr. L. W. Frisbee and Mr. E. G. Jackson, two veteran Superintendents, who have almost completed their twenty years of service with the Company. The Prudential is under permanent obligations to these two men for services of the highest order and the performance of duty under most trying conditions during the early years of the Company's history. There are also many Agents and clerks whose services extend over two decades, and who have in no small manner contributed to the wonderful success of the Company, but want of space forbids more than incidental mention of this fact. It is not too much to say that in few institutions, in few business organizations, exist such happy and cordial relations as are found among the officers of The Prudential Insurance Company and its employees.*

At the close of the year the total number of Industrial policies in force had reached 3,406,189, insuring the sum of \$389,139,257, indicating a gain over the preceding year of 481,663 Industrial policies and of \$55,147,057 of Industrial insurance. In combining Industrial and Ordinary business, The Prudential had in force at the close of 1899 3,509,417 policies, and insurance amounting to more than one-half billion of dollars, the exact figures being \$502,301,486. Of all the insurance companies in the United States, only four have insurance in force exceeding this sum, and the youngest of these companies is many years older than The Prudential.

* Another Superintendent, Mr. W. F. Lawson, of Philadelphia, celebrated the anniversary of his twentieth year of continued connection with The Prudential on January 30, 1900. Mr. Dryden, who was present at the banquet, referred to Mr. Lawson as one of the men through whose efforts The Prudential had reached the commanding position of being the leading insurance company in the State of Pennsylvania. Mr. Lawson represents one of the highest types of an Industrial underwriter, and is looked upon as a model by all who have had the privilege of personal relations with him during his long and exceptionally successful career.

CHAPTER XVI.

SUMMARY OF CONCLUSIONS AND RESULTS.

Of life insurance for workmen it has been said, with much truth, that "it is not an end in itself, but a means to an end," that it is "primarily a savings institution by which men are assisted to make provision for future contingencies,"* and with equal truth, by another authority on social economics, that "It is evident that insurance of various kinds is an indispensable condition of that economic security for the laboring classes which is so desirable for their happiness and for the welfare of society, and which must form part of the solution of the labor problem."† It is my firm conviction that in the vast improvement of the material and moral condition of our working people, which undoubtedly has taken place during the past quarter-century, Industrial insurance has done much to help bring about this much-to-be-desired result, and that it has had its share in the gradual solution of the so-called labor question by increasing the degree of economic security and social welfare, the evidences of which we meet with in all directions. But whatever the final verdict of the economist and student of social progress, one fact stands out broadly which must needs attract attention, and which can neither be ignored nor explained away,—the fact that, of all forms of social institutions making for the improvement of the condition of the masses by the application of sound principles of insurance and finance, Industrial insurance holds to-day the most commanding position, counting its patrons by more than thirty millions the world over, while in the United States, during the short space of a quarter of a century, its operations have reached an extent unknown in the earlier history of American life insurance.

* W. F. Willoughby, *Workingmen's Insurance*, pp. 2-3. Crowell & Co., New York, 1898.

† Richard T. Ely, *The Labor Problem in America*, p. 141.

By the 1st of January, 1900, the eleven principal Industrial companies for which the information has been published returned 10,026,442 Industrial policies as in force on December 31, 1899, for the sum of more than one billion of dollars, or, to be accurate, \$1,290,436,355. The table which follows will give the details for each of the eleven companies, together with the location of the principal offices, indicating the vast numerical and territorial extent of the business :—

INDUSTRIAL INSURANCE IN THE UNITED STATES.
JANUARY 1, 1900.

COMPANIES.	LOCATION OF HOME OFFICE.	NO. OF POLICIES IN FORCE.	AMTS. OF IND. INS. IN FORCE.
Metropolitan,	New York, N. Y.	4,855,756	\$688,629,175
Prudential,	Newark, N. J.	3,406,189	389,039,257
John Hancock,	Boston, Mass.	1,069,197	141,609,904
Life Ins. Co. of Va.,	Richmond, Va.	219,679	20,246,656
Sun,	Louisville, Ky.	148,049	16,368,863
Western & Southern,	Cincinnati, O.	117,545	10,881,961
Baltimore Mutual Aid,	Baltimore, Md.	86,251	5,150,963
Pacific Mutual,	San Francisco, Cal.	61,709	11,779,229
Colonial,	Jersey City, N. J.	27,697	2,854,075
Mutual,	Baltimore, Md.	21,132	2,304,762
Provident Life,	Wheeling, W. Va.	13,238	1,571,510
11 Companies,		10,026,442	\$1,290,436,355

If we briefly compare the numerical aspect of the results attained by Industrial insurance companies, with the results attained by Ordinary life companies and savings banks, we have proof in the following table that the most recent form of life insurance and savings has made progress far exceeding the progress of other forms of insurance and thrift in this country :—

COMPARATIVE RESULTS OF INSURANCE AND SAVINGS INSTITUTIONS IN THE UNITED STATES. 1899.

NUMBER OF INSTITUTIONS.	NUMBER.
11 Industrial Life Companies,*	Policy-holders, 10,026,442
942 Savings Banks,	Depositors, 5,687,818
58 Ordinary Life Companies,	Policy-holders, 2,807,476

* Six of these companies transact also an Ordinary business. The number of Ordinary policies in force with these companies on December 31, 1899, was 268,153, for \$300,175,426 of life-insurance protection. The average amount per policy, only \$1,120, will illustrate the Industrial character of the average Ordinary risk in the Industrial companies.

This result is without a parallel in economic or social history. It would have been impossible but for the all-important fact, which I feel satisfied has been brought out clearly, that Industrial insurance, as illustrated in the history of The Prudential Insurance Company of America, is, like society itself, "not a manufacture, but a growth,"—a growth, I may add, fully in harmony with the healthy and normal progress of the working people of this country during the past quarter-century. If, in the words of Mr. Devine, it is a "mental trait of the economic man," to readily "accept the final judgment of the community as to the market value of the commodities and services he wishes to buy or sell,"* we must concede that Industrial insurance must meet not only inherent and definite needs not supplied by other agencies or forms of thrift, but that these wants and needs are supplied to the satisfaction of the millions who, in ever-increasing numbers, are becoming patrons of the Industrial companies.

We must also accept the further conclusion that the progress of Industrial insurance is evidence of a healthy economic and social instinct, and that the requirements of society are fully met in the immediate and remote results which have been accomplished. I fully agree with Mr. Devine, that "It is a mistake, though not an uncommon one, to credit the economic instinct with the disposition to place material satisfactions above those which spring from man's higher nature," for "the true economic instinct guards against just that tendency. It fixes the eye upon the future and highest want, rather than upon the lower and immediate want,"† and in the light of this reasoning, indicative of a thorough knowledge of the life and struggle of the industrial masses, I believe that we may, with perfect justice, concede to the policy-holders of Industrial companies the credit of having aimed high in their efforts to improve the condition of their daily struggle against poverty and want, by providing to the extent of their ability against the uncertainties of human life itself. The more Industrial insurance is studied, the more, I believe, will others share with me the conviction that it forms one of the most useful of modern institutions making for the improvement of social life

* Economics, p. 13. The Macmillan Co., N. Y., 1898.

† *Ibid.*, p. 51.

and the increase of economic security. It has properly been called "family insurance," and such it truly is in the complete sense of the word, including in its beneficence a provision for certain recognized wants and needs of the entire family, while at the same time a more or less sufficient provision is made for the immediate needs of the widow and orphan as the first duty of self-reliant workingmen. If it is true, in the words of Mr. Lecky, that "improved conduct and improved circumstances are to an English mind the chief and almost the only measure of progress," I, for one, cannot escape the conclusion that, from considerations of the highest degree of public welfare, this system of life insurance is worthy of the careful study and sympathetic consideration of all who have the best interests of the working classes at heart.

* Want of space does not permit of a more extended consideration of the general social and economic aspects of Industrial life insurance as a modern form of thrift, the result of ages of gradual change and development of the most ancient forms of human association, but I trust that I have succeeded in making it plain to the reader that we have in Industrial insurance a form of thrift which no economist or student of social problems can properly and wisely ignore, a form of thrift which, rather than deserving of that marked degree of indifference which alone explains the paucity of all reference to the entire subject of life insurance in works on economics and social science, is fully worthy of the most careful and thorough study on the part of those who concern themselves with socio-economic questions directly affecting the welfare of the working people of this country. As far as it has been possible, I have tried to give full consideration to all essential phases and aspects of more than passing interest to the reader and student of insurance progress. I have traced from the earliest beginning the development of the first Company organized in the United States for the successful transaction of this form of insurance, and the development of its methods and practice in conducting the business. It only remains for me to treat of the general results as they are restated in the statistical evidence of the quarter-century progress of The Prudential, and such related evidence as will further illustrate the importance of this form of life insurance for working people from the standpoint of public policy.

The first table to which I would direct attention will show in a condensed form, yet with sufficient detail, the uninterrupted business progress of The Prudential during the entire period of its history. The returns as to policies in force and the amounts of insurance are given separately for both departments of the Company's business, for the Industrial for 1876-1899, and for the Ordinary for 1886-1899:—

THE PRUDENTIAL, INSURANCE COMPANY OF AMERICA.

1876-1899.

OUTSTANDING INSURANCE.

YEARS ENDING DEC. 31ST	INDUSTRIAL INSURANCE.		ORDINARY INSURANCE.	
	NO.	AMOUNT.	NO.	AMOUNT.
1876,	4,816	\$443,072		
1877,	11,226	1,030,655		
1878,	22,808	2,027,888		
1879,	43,715	3,866,913		
1880,	87,462	7,347,892		
1881,	133,582	10,959,948		
1882,	196,007	15,738,973		
1883,	273,917	23,053,935		
1884,	324,794	28,545,189		
1885,	422,671	40,266,445		
1886,	548,433	59,328,627	427	\$585,500
1887,	736,909	81,694,088	735	945,000
1888,	850,064	92,418,854	915	1,242,929
1889,	1,099,312	117,357,415	1,839	2,328,862
1890,	1,228,332	135,084,498	3,272	4,079,156
1891,	1,360,383	150,758,907	5,677	6,801,435
1892,	1,653,465	184,306,206	8,120	9,531,076
1893,	1,941,533	218,199,566	10,472	12,441,733
1894,	2,256,014	259,840,927	17,752	20,504,727
1895,	2,330,741	268,414,100	30,893	34,716,055
1896,	2,437,251	279,030,638	35,807	41,422,845
1897,	2,658,700	303,770,952	52,583	59,346,638
1898,	2,924,526	333,992,200	71,927	80,554,853
1899,	3,406,189	389,039,257	103,228	113,162,229

According to this table the total number of Industrial policies now in force is 3,406,189, or more than half a million in excess of the total number of Ordinary policies in force with fifty-eight American life companies in 1899. The Ordinary policies of the Company number 103,228, placing The Prudential, after but fourteen years of Ordinary business operations, in the front rank with the giant life companies of the present day. I add, as a

further indication of progress, a table showing for each year of business operations the annual average amount of insurance in force per policy for both the Industrial and Ordinary business of the Company :—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.
1876-1899.

YEARS ENDING DEC. 31ST.	AVERAGE INDUSTRIAL POLICY.	AVERAGE ORDINARY POLICY.
1876,	\$92 00	
1877,	91 81	
1878,	88 91	
1879,	88 46	
1880,	84 01	
1881,	82 05	
1882,	80 30	
1883,	84 16	
1884,	87 89	
1885,	95 27	
1886,	108 18	\$1,371 19
1887,	110 86	1,285 71
1888,	108 72	1,358 39
1889,	106 76	1,266 37
1890,	109 97	1,246 69
1891,	110 82	1,198 05
1892,	111 47	1,173 78
1893,	112 39	1,188 10
1894,	115 18	1,155 07
1895,	115 16	1,123 75
1896,	114 49	1,156 84
1897,	114 26	1,128 63
1898,	114 20	1,119 95
1899,	114 22	1,096 24

It will be observed that the average amount per policy in force has been subject to more or less fluctuation as regards the Industrial business, but, nevertheless, a distinct tendency is apparent towards a higher average, while the contrary is to be observed in the Ordinary business. As regards the Industrial business, this increase in average amounts is due partly to increased benefits at the earlier ages, and partly to the additional benefits payable on policies subject to the many voluntary concessions, but largely in consequence of an increasing demand for policies for larger amounts as a means of providing not only for the burial expenses, but, in addition, for at least a small fund for the support of surviving members of the family. Cases are becoming more and more numerous where it can be said that

Industrial insurance has provided for widows and orphans in addition to its primary purpose of meeting the expenses of burial and last illness. One such case I may mention as having been referred to in the Sixteenth Annual Report of the Boston Associated Charities (1895, p. 54), where I find it stated that "After the death of the man the insurance money was enough to pay a few debts and leave enough for the wife to use until some course of action could be decided upon. The family is now quite comfortable."* Such illustrations of the value of Industrial insurance in individual instances could be furnished by the thousands from the records of the companies, but want of space forbids more than incidental mention. Still it is true, as it has well been said, that "The final value of all scientific work lies in the principles evolved from individual instances," and hence the value of cases like the one quoted.

The decrease which has taken place in the average amount of Ordinary policies must also be accepted as proof of the assertion that Industrial companies, in developing their Ordinary business, have done so in a different direction than that followed by other Ordinary companies, in that they have extended the benefits of life insurance, after a vast amount of insurance education, to a class of people who have not been reached by the non-Industrial level-premium companies. The vital difference between the Ordinary business transacted by Industrial companies and the business of other Ordinary companies is illustrated by the fact that, while the average amount of an Ordinary policy in The Prudential in 1899 was \$1,094, the average amount for all Ordinary companies reporting to the New York Insurance Department in 1898 was \$2,382, a very material difference, indicating that the Industrial companies extend the benefits of Ordinary life insurance to a class of people not reached by the other Ordinary life companies.

* I find mention of a somewhat similar case in the Fortieth Annual Report of the Chicago Relief and Aid Society, where it is stated that—

"No. 43,660 is the case of a German with a wife and two boys, eleven and eight years old. He bore an exceptionally high character, and had never needed or asked aid till after a six months' illness of cancer of the stomach, of which he died a month later. The widow received \$500 insurance, and after paying the funeral expenses and other debts incurred deposited the remaining three hundred in Dreyer's Bank, *which failed.*"

While at first The Prudential confined its operations exclusively to the transaction of an Industrial business and only commenced the Ordinary business in 1886, it will be observed, on comparing the number of Industrial and Ordinary policy-holders, that at present the Ordinary business forms 2.9 per cent. of the total number of policies in force, while in amount the Ordinary forms 22.5 per cent. of the entire business of the Company. Since the ratio of Ordinary to total business has been gradually, though very slowly, on the increase, it may be assumed that this growth of the Ordinary department will continue and in time assume proportions equally extensive with the Industrial part of the business.

The aggregate premium income of the Company, from both the Industrial and Ordinary business, during the past twenty-four years of business operations, is set forth in the following table:—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

1876-1899.

PREMIUM INCOME.

YEARS ENDING DEC. 31ST.	INDUSTRIAL.	ORDINARY.	TOTAL.
1876,	\$14,495		\$14,495
1877,	28,517		28,517
1878,	59,817		59,817
1879,	121,560		121,560
1880,	250,958		250,958
1881,	402,947		402,947
1882,	571,595		571,595
1883,	828,911		828,911
1884,	1,127,738		1,127,738
1885,	1,468,956		1,468,956
1886,	2,099,523	\$14,773	2,114,296
1887,	2,908,555	33,702	2,942,257
1888,	3,616,168	43,327	3,659,495
1889,	4,374,486	68,347	4,442,833
1890,	5,513,898	122,978	5,636,876
1891,	6,217,729	195,554	6,413,283
1892,	7,214,561	311,283	7,525,844
1893,	8,679,468	405,376	9,084,844
1894,	10,295,877	594,425	10,890,302
1895,	10,901,674	991,093	11,892,767
1896,	11,991,713	1,337,931	13,329,644
1897,	12,762,951	1,788,917	14,551,868
1898,	13,642,191	2,497,261	16,139,452
1899,	15,411,254	3,617,538	19,028,792
Total, . . .	\$120,505,542	\$12,022,505	\$132,528,047

It is shown by this table that while the annual premium income now exceeds nineteen million dollars, the aggregate during the past twenty-four years has been \$132,528,047. The table is properly supplemented by one showing the aggregate income of the Company from all sources, including the income from interests, rents, etc., which now annually exceeds one and a half million dollars:—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

1876-1899.

TOTAL INCOME.

YEARS ENDING DEC. 31ST.	FROM POLICY HOLDERS.	FROM OTHER SOURCES.	TOTAL.
1876,	\$14,495	\$48	\$14,543
1877,	28,517	119	28,636
1878,	59,817	663	60,480
1879,	121,560	7,067	128,627
1880,	250,958	20,964	271,922
1881,	402,947	9,718	412,665
1882,	571,595	12,998	584,593
1883,	828,911	16,992	845,903
1884,	1,127,738	28,842	1,156,580
1885,	1,468,956	40,707	1,509,663
1886,	2,114,296	50,661	2,164,957
1887,	2,942,257	71,094	3,013,351
1888,	3,659,495	97,589	3,757,084
1889,	4,442,833	158,465	4,601,298
1890,	5,636,876	184,777	5,821,653
1891,	6,413,283	290,349	6,703,632
1892,	7,525,844	363,034	7,888,878
1893,	9,084,844	437,068	9,521,912
1894,	10,890,302	567,032	11,457,334
1895,	11,892,767	692,771	12,585,538
1896,	13,329,644	828,802	14,158,446
1897,	14,551,868	1,028,897	15,580,765
1898,	16,139,452	1,342,424	17,481,876
1899,	19,028,792	1,557,408	20,586,200
Total,	\$132,528,047	\$7,808,489	\$140,336,536

The total income from other sources than premiums during the twenty-four years of business operations has been, as shown, \$7,808,489, which, added to the preceding total of \$132,528,047, makes a grand total income from all sources, during the period 1876-1899, of \$140,336,536. All this has been achieved by a

Company transacting a form of life insurance practically unknown in this country twenty-five years ago. But a still more stupendous result is disclosed in the aggregate of business transactions in the field operations of The Prudential, as indicated by the statement of new insurance written during each of the years forming the period 1876-1899:—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

1876-1899.

NEW INSURANCE ISSUED.

YEARS ENDING DEC. 31ST.	INDUSTRIAL.		ORDINARY.	
	NO.	AMOUNT.	NO.	AMOUNT.
1876,	7,904	\$727,168		
1877,	10,521	967,932		
1878,	20,064	1,785,696		
1879,	35,879	3,157,352		
1880,	101,856	8,555,904		
1881,	124,746	9,688,362		
1882,	151,956	11,541,210		
1883,	227,417	20,426,140		
1884,	266,718	24,892,268		
1885,	304,773	28,860,882		
1886,	391,278	49,142,316	552	\$728,500
1887,	519,577	60,202,194	574	689,000
1888,	558,339	58,214,981	458	632,413
1889,	721,830	73,576,853	1,280	1,568,542
1890,	808,597	95,674,484	2,484	3,075,376
1891,	623,804	72,966,176	3,827	4,449,177
1892,	804,075	92,677,524	4,503	5,080,697
1893,	1,086,780	128,208,941	5,280	6,256,198
1894,	1,696,847	205,128,243	12,245	13,872,559
1895,	1,044,686	124,374,407	23,503	25,706,280
1896,	957,804	108,223,712	17,695	21,190,031
1897,	1,008,868	112,371,379	29,002	31,581,798
1898,	1,043,998	121,080,784	39,208	43,614,000
1899,	1,401,399	165,760,248	54,342	56,914,383
Total,	13,919,716	\$1,578,205,156	194,953	\$215,358,354

It is apparent from a study of this table that the annual volume of new business has been subject to very considerable fluctuations, but much more so in the Industrial than in the Ordinary business of the Company. In the former, the largest volume of business was written during 1894, next to which comes

the record for the year just closed, while in Ordinary business the largest volume of new applications was secured during 1899. The aggregate result of a quarter-century of effort to "extend the principles of life insurance to the masses" is summed up in the total of 13,919,716 Industrial and 194,953 Ordinary policies written and revived during the period. If from this total we deduct the number of policy-holders whose deaths are represented in the return of claims paid, we have still a vastly larger number than are now in force on the books of the Company. The difference between the business written and the business at present in force, minus the mortality during the period, represents the lapses, the terminations, or the waste. But not wholly so. Large numbers who have lapsed had for a time the benefit of life-insurance protection, while all had a more or less complete opportunity to study and reflect upon insurance principles by the temporary protection and the possession of literature and contracts illustrating the methods and results of The Prudential. The subject has been touched upon in other portions of the work, and need not be reconsidered here in detail, except that it may be pointed out that the sincerity of the Company in its constant efforts to reduce the lapse-rate is, by inference, to be found in the fact that if the Company had never been compelled to lapse a policy it would now have on its books an amount of life insurance vastly in excess of what is actually the case. Instead of having an Industrial premium income of \$15,411,254, the annual income would be approximately \$63,000,000, and instead of having three and a half million of policies in force, the number would be approximately 12,600,000. Nor can a fair comparison be made with the lapse-rate prevailing in Ordinary companies, for it must be taken into account that the policy-holder of an Industrial company has fifty-two chances to lapse his policy to the, at most, four chances of an Ordinary policy-holder. Still, even when such comparisons are made they are not always to the disadvantage of the Industrial companies, and we have an excellent illustration in the experience of The Prudential, which during the year 1899 revived of the total new Industrial issue 6.1 per cent. against only 4.8 per cent. of the Ordinary issue.

Since frequent mention has been made of Industrial paid-up policies, it may not be out of place to state the facts briefly as to

the Company's experience with this feature of business operations during recent years :—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

1890-1899.

PAID-UP POLICIES.

YEARS ENDING DEC. 31ST.	INDUSTRIAL POLICIES.	
	NUMBER.	PERCENTAGE OF TOTAL NEW ISSUE.
1890,	195	0.02
1891,	175	0.03
1892,	130	0.02
1893,	199	0.02
1894,	962	0.06
1895,	1,815	0.17
1896,	10,695	1.12
1897,	39,240	3.89
1898,	32,629	3.13
1899,	31,333	2.24
1890-1899,	117,373	1.12

According to this table there have been issued during the past ten years 117,373 Industrial paid-up policies, which represent an aggregate total of \$4,026,900 paid-up insurance protection. The ratio of paid-up policies to the total new issue was highest during 1897, and since that date there has been a marked decline. It would be defeating the very objects of life insurance if the surrender values of Industrial or, for that matter, of Ordinary policies were made sufficiently attractive to make such surrender profitable or expedient. It must needs be the aim of every insurance company to attain the primary object of the insurance contract, and entirely too much attention has been given to a question of far less importance than some writers, and especially professional agitators, have attached thereto. It has been the aim of The Prudential to deal equitably with unfortunate policy-holders, and no company has been more ready to make voluntary concessions and grant exceptional privileges than The Prudential. But the managers of the Company have never lost sight of the fact that persistent policy-holders are entitled to

full protection, and it would be a violation of its trusteeship of the interests of millions of policy-holders if, by over-liberal consideration of the few, the entire structure of Industrial insurance should be placed in peril. Hence, the fact deserving of most serious consideration, that in life insurance, to accomplish the purpose of the business, the surrender or lapse of a policy should be at all times a partial loss to the insured, while its revival and persistence in premium payment should at all times be to the advantage of the insured.* If the companies have succeeded in making such exceptional progress, it is largely due to the fact that the largest benefits and best results come to those who maintain the integrity of their contracts and keep their policies in force until death or maturity.† For, as it has been said with much truth, "it is the object of a life-insurance company to pay claims," and this object is largely defeated by the surrender of contracts, which, if kept in force, would have realized much larger returns than are possible on policies voided by the non-payment of premiums during the life-time of the insured. It is, therefore, with special interest that the next table should be studied, as a comprehensive statement of the

* In England the question of surrender privileges has received considerable attention, especially in connection with parliamentary investigations into the practices and methods of Friendly Societies. In one of these investigations a witness called the attention of the Commission to the fact that the power of a member to borrow on his death certificate of membership was objectionable, for, he stated, "A member may never become entitled to funeral money. It is contrary to the principles of a Friendly Society, and tends to cheat the widow;" and that "Even the borrower thought it bad in the end." (Young's Report, p. 70.) In American Fraternal Societies and Assessment organizations, ostensibly operated for the sole benefit of the insured, there are no surrender provisions and no loan privileges, and the same holds practically true for the English Friendly Societies of to-day.

† "There can be no question that the company's first duty is to those to whom it remains under contract obligation—its continuing policy-holders. It has first to consider how they are affected by a withdrawal of one of their number, how the sure basis of its operations, the solvency of its contracts, and the future cost of their administration stand affected. The elements of the problem are definite, the determination of their weight, the measurement of their operative force is somewhat a matter of varying circumstances." (Jacob L. Greene at the Milwaukee Convention of Insurance Commissioners. 1898.)

direct financial results to the beneficiaries of policy-holders during the past twenty-four years of active business operations :—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.
1876-1899.

TOTAL DISBURSEMENTS TO POLICY-HOLDERS.

YEARS ENDING DEC. 31ST.	INDUSTRIAL.	ORDINARY.	TOTAL.
1876,	\$1,958		\$1,958
1877,	5,296		5,296
1878,	11,338		11,338
1879,	23,013		23,013
1880,	57,256		57,256
1881,	111,508		111,508
1882,	157,706		157,706
1883,	222,083		222,083
1884,	322,382		322,382
1885,	418,622		418,622
1886,	593,273		593,273
1887,	841,319	\$12,595	853,914
1888,	1,091,723	5,161	1,096,884
1889,	1,313,948	17,375	1,331,323
1890,	1,725,925	28,973	1,754,898
1891,	2,055,580	49,722	2,105,302
1892,	2,466,406	73,250	2,539,656
1893,	2,811,332	104,876	2,916,208
1894,	3,119,956	117,239	3,237,195
1895,	3,655,513	259,978	3,915,491
1896,	4,083,839	322,678	4,406,517
1897,	4,522,932	463,844	4,986,776
1898,	4,861,553	527,850	5,389,403
1899,	5,426,545	830,100	6,256,645
Total,	\$39,901,006	\$2,813,641	\$42,714,647

It will be observed that, in the aggregate, there has been returned to the Prudential policy-holders and their beneficiaries the vast sum of \$42,714,647. The annual disbursements on Industrial business have now reached almost five and a half million dollars, to which must be added \$830,100 of returns to Ordinary policy-holders, or a total of payments to beneficiaries during 1899 of \$6,256,645, being equal to an average weekly payment of over \$120,000. How much suffering and want this vast sum mitigates, and partly, at least, prevents by timely assistance, no words can adequately describe. Only those who have an intimate knowledge

of the life and struggle of the industrial population can even faintly understand the deeper meaning of these figures, figures which indicate only in small part the vast amount of good accomplished through the medium and by the method of Industrial life insurance. But it would, indeed, be a grave error to look upon the results attained in the payment of claims as the sole test of the efficiency and beneficence of this system of insurance. The far more important point is to remember that there remains in force more than \$389,000,000 of insurance protection on the lives of Industrial policy-holders, every dollar of which is fully secured by an adequate reserve safely invested in the very best kind of securities, fully warranting the claim that "The Prudential has the strength of Gibraltar." The finances of the Company, the assets and surplus to policy-holders, and the liabilities, determined by the most careful methods of actuarial valuation as applied to Ordinary life insurance, are fully set forth in the table which follows:—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

1876-1899.

YEARS ENDING DECEMBER 31ST.	ASSETS.	LIABILITIES. (4#)	SURPLUS. (4#)
1876,	\$2,232		\$2,232
1877,	7,371	\$256	7,115
1878,	21,391	7,034	14,357
1879,	139,803	30,265	109,538
1880,	168,154	71,170	96,984
1881,	253,853	138,067	115,786
1882,	392,269	227,233	165,036
1883,	503,178	387,521	175,657
1884,	752,878	423,438	329,440
1885,	1,040,816	635,827	404,989
1886,	1,425,720	1,019,617	406,103
1887,	1,907,369	1,480,291	487,078
1888,	2,874,163	2,097,944	776,219
1889,	3,924,295	2,853,230	1,071,065
1890,	5,084,895	3,741,021	1,343,874
1891,	6,889,674	5,440,617	1,449,057
1892,	8,840,853	6,622,411	2,218,442
1893,	11,021,445	8,285,884	2,735,561
1894,	13,041,810	10,100,033	2,941,777
1895,	15,780,154	12,470,317	3,309,837
1896,	19,541,828	15,507,711	4,034,117
1897,	23,984,570	18,744,452	5,240,118
1898,	28,887,196	22,998,301	5,888,895
1899,	33,948,760	27,934,337	6,014,423

There is abundant evidence in this table of inherent strength and permanent financial stability. Year by year material improvement has been made in the accumulation of substantial assets and of a sufficient surplus, until to-day this margin of safety exceeds six million dollars. As to the investment of the vast accumulation of assets, accumulated and held as a sacred fund for the discharge of maturing obligations, it may be of interest to the reader to know that, of the sum of over thirty-three million dollars (three times the amount of accumulations of only seven years ago), 72.4 per cent. is invested in bonds and mortgages (including railroad and municipal bonds), 13.9 per cent. is invested in real estate, 8.3 per cent. consists of cash in bank, 3.0 per cent. is represented by premiums in course of collection, 1.4 per cent. by loans on policies and collateral securities, while 1.0 per cent. represents accrued interest and rents. Of the liabilities of the Company, 81.8 per cent. represent the reserve to the credit and for the security of policy-holders; 17.7 per cent. represent the surplus, including capital; and 0.5 per cent. represent other liabilities not included in the two preceding items.

Too much stress cannot be laid on the absolute financial security to millions of policy-holders represented by these figures and facts dealing with the finances of the Company. The whole history of so-called co-operative and assessment insurance is one long record of failure and of fraud, representing untold millions of wasted money and untold millions of unpaid claims, but most of all a record of the shameful betrayal of a sacred trust. It is something very considerably to the credit of the managers of Industrial insurance companies that failure and insolvency have been made impossible by the safe and substantial foundations on which the structure of Industrial insurance rests, and which, as far as human judgment goes, will endure as long as the Republic itself.

Where so large a number of business transactions are required, affecting so considerable a number of people as are represented in the policy-holders of The Prudential, it will be of interest to place on record the actual number of employees of the Company on February 1, 1900, together with the corresponding data for the year 1885, for which the information has been given in an earlier portion of this work :—

**OFFICE AND AGENCY FORCE OF
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.
1885 AND 1900.**

FORCE.	1885	1900
Executive and clerical force,	125	811
Superintendents of Districts,	34	203
Assistant Superintendents of Districts,	150	1,640
Inspectors of Districts,		34
Agents (Canvassers and Collectors),	1,200	7,802
Total Office and Field Force,	1,509	10,490

To the total force for the present year must properly be added a field medical staff of 3,884 examining physicians, and further 45 employees in the printing department and 46 employees in the home-office building as janitors, elevator attendants, etc. The increase in the total office and field force during the period 1885-1900 has been 595 per cent., while during the same time the business operations of the Company, as measured by the amount of Industrial insurance in force (not taking into account the Ordinary business), have increased 863 per cent.,—in other words, the large increase in employees has been made necessary by the still larger increase in business operations. The increase is perhaps best illustrated by the average weekly issue of new policies, as shown in the following table for the three years, 1879, 1889 and 1899 :—

**AVERAGE NUMBER OF NEW POLICIES ISSUED WEEKLY BY
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.**

1879, 1889, 1899.

YEARS ENDING DEC. 31ST.	INDUSTRIAL.	ORDINARY.
	WEEKLY ISSUE.	WEEKLY ISSUE.
1879,	690	
1889,	13,881	25
1899,	26,950	1,044

The actual extent of business operations will be more clearly realized in this statement of weekly office transactions reaching now an average issue of more than 28,000 new policies, and weekly claim payments exceeding \$120,000.

A very interesting and suggestive illustration of the development and highly complex nature of the business of Industrial insurance is supplied by the statistics of the Printing and Supply Departments of The Prudential. According to the returns for the year 1899, these two departments employ more than sixty persons, while nine presses are kept continually at work to meet the demands of the office and field force for the large number of forms and different kinds of supplies required. During 1899 there were shipped daily by express, or otherwise, three and one-half tons of matter—pamphlets, paper, forms, letter-heads, etc. A large amount of the necessary printing includes the issue of two regular publications: "The Prudential," for distribution to the Industrial policy-holders, and "The Weekly Record," for distribution to the field force. "The Prudential" is issued every other month, the edition never being less than two million copies. This paper contains much useful information on the subject of Industrial insurance, rate tables, health notes for the home, and a list of current claim payments. "The Weekly Record" is for the field force, and contains, in addition to useful information on the subject of life insurance, a record of the results obtained from week to week by the principal Superintendents, Assistants and Agents of the Company's field force. "The Weekly Record" has proven a most useful element in the development of an *esprit de corps* and acts directly as an incentive and an encouragement to increased efforts on the part of those who are making a determined struggle for individual success and leadership as Industrial life underwriters.

So much having been said as regards extent of operations, some information as to the class of people insured on the Industrial plan with The Prudential Insurance Company may be of interest. This question can be answered in a number of ways, but I confine myself to data relating to the nationality and occupation of the insured. First, as regards race and nationality, it will be recalled that it is not now the practice of the Company to solicit negro risks, on account of adverse legislation compelling Industrial companies to grant the same benefits to persons of color as are

paid to whites, in contrast to the recognized fact that the former are subject to a death-rate about 50 per cent. higher than the latter. Hence the proportion of colored persons is smaller than would be the case were the former and more equitable practice still in vogue. Of the total number of decedents in the Industrial experience of The Prudential during the period 1891-1898, only 2.5 per cent. were persons of color.

NATIONALITY OF DECEDENTS INSURED UNDER INDUSTRIAL POLICIES IN
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

1898.

NATIONALITY OF DECEDENTS.	PER CENT. OF TOTAL MORTALITY.
Native-Born,	62.18
Born in the United Kingdom,	22.07
" Germany,	12.01
" Canada,	0.94
" Austria-Hungary,	0.74
" Scandinavia,	0.65
" Switzerland,	0.29
" Russia, Poland and Finland,	0.29
" Italy,	0.27
" France,	0.26
" Holland and Belgium,	0.20
" South America, Mexico and West Indies,	0.04
" Spain, Portugal and Azores,	0.03
" Asia, Africa and Turkey,	0.03

It is shown in this interesting tabulation, as far as I know, the first of its kind relating to Industrial insurance, that of all the deaths during the year 1898, 62.2 per cent. were of persons of native birth. Unfortunately, no data are at the command of the Company as to the parentage of the insured, this question not being asked in the application, but the fact is, nevertheless, significant that the larger proportion of the insured in The Prudential are native-born. Next in numerical importance to those of native birth come persons born in the United Kingdom, but of the latter the majority are Irish, who, as is well known, form a very large proportion of the population of the United States. Natives of Germany form 12.0 per cent. of the total insured, while the remainder is made up of practically every nationality forming the

heterogeneous population of this country.* The fact that so large a proportion of Germans should be insured is of considerable interest, since it is generally conceded that this element of our population is not only of a most thrifty and saving disposition, but also at the same time the most cautious and prudent in making life-insurance provision on plans not likely to lead to disappointment and litigation. It may not be out of place to add, by way of comment, that during recent years Industrial insurance on the plan of The Prudential has made very material progress in Germany, in spite of the fact that compulsory government insurance is supposed to meet all of the needs of the working population, and with German thoroughness a hand-book on "Die Kleine Lebens-Versicherung" has recently been published as a guide for prospective insurers.

The facts pertaining to the nationality of the insured population are, therefore, confirmatory evidence that the class of people insured with Industrial companies represents a normal proportion of natives and foreigners, and that it is an error to suppose that the demand for this form of insurance is largely limited to the foreign-born or to a distinct element of the emigrant population. While we have no absolute test as to the moral or mental characteristics of these people, we at least have the proof that no special selection of a distinct class or element of the population exists, and that, in view of the large proportion of native-born policy-holders, the system of Industrial insurance must properly be looked upon as national in its scope and operations.

A still more satisfactory test as to the character of the class of risks accepted by The Prudential is supplied by a detailed statement of the principal occupations of the insured, and for this

* During 1899 The Prudential Insurance Company paid Industrial claims in the following countries:—

Australia, Austria, Azores, Belgium, Canada, China, Denmark, England, Germany, India, Ireland, Italy, Norway, Russia, Scotland, South Africa, Sweden and Switzerland.

Since the Company does not transact business outside of the United States, all of the claims paid in foreign countries represent policies originally taken out in the United States, but continued in force after the return of emigrant policy-holders to their native land.

This list does not include claims paid in Cuba, Puerto Rico, the Philippines and the Sandwich Islands, or on sailors and soldiers in the service of the United States.

purpose I have taken account of the occupation of those who died during the two years 1897 and 1898:—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

PRINCIPAL OCCUPATIONS OF WHITE MALES.

INDUSTRIAL MORTALITY EXPERIENCE, 1897-1898.

TOTAL NUMBER OF MALE DECEDENTS (AGED 15 AND OVER), 24,237.

	No.		No.
Letter Carriers,	27	Tobacco Workers,	238
Policemen,	71	Electrical Workers,	273
Soldiers,	139	Gas Workers,	117
		Glass Workers,	123
Actors,	18	Jewelers,	166
Lawyers, Judges, etc.,	23	Gold and Silver Workers,	171
Clergymen,	13	Brass Workers,	71
Musicians,	51	Copper Workers,	11
Photographers,	19	Blacksmiths,	401
Physicians,	17	Iron Workers,	715
Teachers,	19	Tin Workers,	145
Veterinary Surgeons,	11	Shoemakers,	558
		Tanners,	65
Barbers,	189	Machinists,	460
Hotel-keepers,	93	Paper Workers,	40
Sextons,	14	Printers, Compositors,	223
Watchmen,	267	Lithographers,	27
		Rubber Workers,	20
Drivers, Truckmen,	951	Hatters,	133
Elevator Men,	17	Tailors,	350
Railway Employees,	489	Carpet Workers,	30
Telegraphers,	30	Silk Workers,	73
Boatmen,	64	Ropemakers,	21
Longshoremen,	68	Spinners and Weavers,	144
Pilots,	10	Coopers,	171
Sailors,	72		
Captains,	30	Carpenters, Cabinetmakers,	1,002
		Contractors,	53
Bakers, Confectioners,	211	Masons,	401
Druggists,	145	Brickmakers,	33
Grocers,	206	Marble Workers,	32
Hardware Dealers,	116	Plumbers,	201
Liquor Dealers,	197	Potters,	53
Bartenders,	211	Stone-cutters,	122
Merchants, Dealers,	260	Painters,	550
Millers,	37	Roofers,	48
Salesmen,	197	Riggers,	18
Undertakers,	43		
Agents,	174	Farmers,	704
Book-keepers,	156	Gardeners,	209
Brokers,	11	Fishermen,	57
Clerks,	665	Miners,	442
Stenographers,	11	Quarrymen,	29
		Engineers, Firemen,	364

The white adult male decedents in The Prudential's Industrial experience of 1897 and 1898 may be grouped, according to occupation, as follows:—

OCCUPATIONS.	No.	PER CENT. OF TOTAL.
Trades, Industries and Manufactures, . .	5,872	24.2
Laborers,	4,944	20.4
Merchants and Dealers,	3,331	13.7
Building and Construction,	2,979	12.3
Transportation and Communication,	2,036	8.4
Agriculture, Mining, Fisheries,	1,704	7.0
Personal Service,	1,449	6.0
Professional Service,	456	1.9
Government and Defense,	314	1.3
No Occupation and Unstated,	1,152	4.8
Total,	24,237	100.0

These tables bring out very clearly the truly industrial character of the business, and, had space permitted, a more detailed list of occupations would have shown that practically every profession, trade and industry is represented among the policy-holders in about the same proportion as in the general population according to the United States census of 1890. It is shown that among the insured are clergymen, lawyers, justices, physicians, teachers, soldiers, sailors, firemen and policemen; every form of social life finds its representation, though, as a matter of course, the larger proportion of the insured are laborers, skilled and unskilled, employed in the numerous industries and trades. It is a matter of regret that it is not possible to give the exact number of persons insured in the various occupations, but a statistical investigation of the occupation of the living would hardly be productive of sufficiently important practical results to warrant the necessary expenditure of money and time for tabulation and analysis, dealing, as The Prudential does, with millions of policy-holders; but the mortality returns here given will be sufficient to indicate the truly industrial nature of the business. Estimates of the probable number insured, based on the number of deaths during two years, have been made by the writer, but so many factors have to be taken into consideration that the results can be only approximately correct. Still, as regards the most important occupations it may be of interest to the reader to

learn that, on the basis of the best available data, The Prudential in 1898 had approximately 113,100 laborers, 27,343 teamsters and drivers, 30,700 carpenters, 20,300 iron and steel workers, 18,000 farmers, 34,700 clerks, 14,600 shoemakers, 18,200 printers, 24,100 railway employees, 17,900 miners and 16,000 machinists insured on the Industrial plan of life insurance.

As to the occupations of women, I have also been compelled to limit my table to a small number of interesting employments and pursuits. The proportion of the sexes of the insured is, in the Industrial experience of The Prudential, about the same as in the general population,* and, as must necessarily be the case, a large majority of insured women are housekeepers. For the remainder I give a table illustrating the truly industrial and national character of the business of the Company :—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.
PRINCIPAL OCCUPATIONS OF FEMALES.

INDUSTRIAL MORTALITY EXPERIENCE, 1897-1898.
TOTAL NUMBER ADULT (AGED 15 AND OVER) WHITE FEMALE
DECEDENTS, 23,837.

Actresses,	8	Cashiers,	11
Artists,	5	Clerks,	101
Musicians,	15	Stenographers,	23
Nurses,	96	Book-binders,	34
Teachers,	43	Boxmakers,	21
Telegraph and Telephone Operators,	6	Carpet Weavers,	15
Saleswomen,	63	Corsetmakers,	13
Store-keepers,	34	Dressmakers, Seamstresses, .	414
Book-keepers,	33	Milliners,	56
		Silk Workers,	54

This table does not require further comment, but has been included in the series as a rather interesting contribution to our knowledge of woman's share in life-insurance development. While in Industrial insurance it is the practice to place a small policy on every member of the family rather than a large policy upon a single member, women, as a matter of course, have been

* Of the total number of decedents in the Industrial experience of The Prudential during the period 1891-1898, 51.2 per cent. were males and 48.8 per cent. were females. According to the United States census of 1890, "Vital and Social Statistics," Part III., the sex distribution of the total mortality in the United States was 52.2 per cent. males and 47.8 per cent. females.

insured in about the same ratio as men, but the good effect of life insurance in early life is illustrated in the increasing number of self-supporting young women, who continue in force the insurance placed upon their lives in early infancy by parents whose memory must needs be held in higher esteem for this evidence of prudent forethought and affectionate regard.

These facts pertaining to the nationality and occupations of the insured will make it plain that the business is one which is applicable to all sorts and conditions of men, and that it is truly national and industrial in its scope and extent of operations. Perhaps the best proof of this assertion is to be found in the fact that, in the city in which The Prudential was founded, in 1875, the large majority of the population are now insured on this plan of family insurance. In Newark, N. J., during the year 1899 there occurred, according to the Board of Health, 3,548 deaths of persons one year of age and over. Of this number 1,307, or 36.8 per cent., were insured in The Prudential, while in the other Industrial companies, as far as my information goes, about an equal number of policies were in force, indicating a total of about 73 per cent. of the population above age one insured on the Industrial plan. If we exclude the lowest pauper class and the well-to-do or rich, who are above the need of Industrial insurance, it will be seen that in this city, to-day one of the leading manufacturing cities of this country, but a very small proportion of the working people have not as yet availed themselves of this form of insurance as a means of providing against some of the uncertainties of human life.

As to the direct effect of this form of insurance on the diminution of the rate of pauper burials, once exceedingly high in the city of Newark, we find evidence in the official returns, for, taking account of the last twenty years, there has been a very material reduction in the rate of burials at public expense. In 1880, when The Prudential had only 49,959 Industrial policies in force in the State of New Jersey, the rate of pauper burials in the city of Newark per 100,000 of population was 128, while in 1899, with 36.8 per cent. of the population over one year of age insured in The Prudential, the rate was only 93. It will be apparent that in this direction alone the Industrial companies save a not inconsiderable amount to the taxpayer and the community.

Pauper burials statistics for a number of American cities for a period of considerable length are, unfortunately, not obtainable; but I have brought together the returns for ten principal cities, which have been consolidated in the following table. The results are for five-year periods for the twenty years 1880-'99, and include the cities of New York, Boston, Newark, Cincinnati, Baltimore, Indianapolis, Minneapolis, Cambridge, Worcester and Charleston, S. C. The table indicates a constant, though gradual, decline in the rate of pauper burials from 210 per 100,000 during 1880-'84 to 156 during 1895-'99:—

PAUPER BURIALS
IN TEN AMERICAN CITIES, 1880-1899.

PERIODS.	AGGREGATE POPULATION OF TEN CITIES.	AGGREGATE NUMBER OF BURIALS.	RATE PER 100,000.
1880-'84,	13,345,248	27,987	210
1885-'89,	15,397,545	29,747	193
1890-'94,	17,623,685	33,180	188
1895-'99,	20,854,451	32,614	156

Since by means of Industrial insurance frequent provision is made for dependent widows and orphans, we should also expect a decrease in the cost of out-door relief, in spite of the fact that "this is an age of free if foolish giving." In Newark during 1880 the cost of out-door poor relief was \$29,818, or \$0.22 per capita, against a cost of only \$17,158 during 1898, or of \$0.07 per capita. Had the rate of 1880 prevailed in 1898, the actual cost to the taxpayers would have been \$52,607.

A not inconsiderable share of this reduction must be credited to the Industrial companies, which through their large claim disbursements, now exceeding \$16,000,000 annually, are the direct cause of a vast diminution of pauperism and want.* Indirectly the effect of the system is to be traced in the increased habits of

* A typical instance of the direct relation of Industrial insurance to public welfare is furnished by a case referred to in the *Orange (N. J.) Journal* of December 2, 1899, in which reference is made to the death of a Mrs. Ellen Clark, who, on account of illness, had for more than two years been under the care of the poor authorities and the management of the Memorial Hospital. The item concludes with the statement that "the expenses of her funeral were met by an insurance policy which had been kept in force by a charitable woman."

savings and thrift in other directions, but especially in the growth and development of savings banks and building and loan associations. In the State of New Jersey there were 73,052 depositors in savings banks in 1880, while the number of Industrial policy-holders was only 49,959, while in 1899 the number of depositors had increased to 190,941, against an increase to 613,552 of Industrial policy-holders in The Prudential. It will be recalled that in 1872, before the organization of Industrial companies, the Labor Commissioner of Massachusetts had pointed out that systematic savings among working people were the exception rather than the rule, while now it may be said that systematic savings habits are the rule* either in the direction of deposits in banks or payments to building and loan associations, and this result must be largely attributed to the missionary work of Industrial companies, like The Prudential, teaching the masses habits of thrift not only in one, but in many directions.

I can only very briefly touch upon the medical statistics of the Company. Naturally in a branch of life insurance so radically different in its methods and extent of operations from Ordinary life companies, the mortality experience, the disease and accident occurrence must widely differ from the observed experience of companies limiting their risks to adult males of the more prosperous elements of the population, and as regards medical examinations in Industrial insurance they are, as a matter of course, less rigid than is the case in Ordinary life insurance. This is shown by the ratio of rejections of examined Industrial business (Prudential experience 1899), which was only 1.5 per cent. against a ratio of 15.5 per cent. in Ordinary.

In other words, among the Industrial class of risks practically all applicants are accepted, and naturally a higher mortality

* It is much to be regretted that it is impossible to furnish information as to the average number of deposits per annum made by depositors in American savings banks at the present time. In reply to an inquiry addressed to the Board of Commissioners of Savings Banks of Massachusetts, I am informed that the investigation made in Massachusetts in 1872 was the only instance in which the information has ever been given. The considerable growth of Dime Savings Banks and Penny Provident Funds during the past twenty-five years would, however, give direct support to the assertion that Industrial insurance has been directly, as well as indirectly, a force making for the education of the masses in habits of systematic saving of small sums (*ante*, p. 25).

experience must result. Dangerous and unhealthy occupations are not discriminated against, as is evidenced by the table of occupations showing the large proportion of men employed in mines, the railway service, at sea, and in other dangerous occupations. These occupations are subject to a higher mortality, which finds its corresponding result in higher premium rates. The table which follows has been limited to thirty principal causes of death observed in the Industrial experience 1891-1898, and is only intended as evidence confirming facts previously stated:—

INDUSTRIAL MORTALITY EXPERIENCE OF THE PRUDENTIAL
INSURANCE COMPANY.

THIRTY PRINCIPAL CAUSES OF DEATH. 1891-1898.

	NUMBER.	PER CENT. OF TOTAL MORTALITY.
Tubercular Diseases,	36,107	16.63
Pneumonia,	25,851	11.90
Heart Diseases,	16,881	7.77
Bright's Disease,	13,438	6.19
Accidents,	10,343	4.76
Diphtheria,	9,403	4.33
Apoplexy,	9,228	4.25
Cancer,	7,348	3.38
Bronchitis,	7,011	3.23
Gastritis,	5,971	2.75
Meningitis,	5,526	2.55
Typhoid Fever,	4,837	2.23
Croup and Laryngitis,	4,559	2.10
Paralysis,	4,035	1.86
Diseases of the Liver,	4,012	1.85
Diarrhoea and Dysentery,	3,821	1.76
Scarlet Fever,	2,711	1.25
Peritonitis,	2,331	1.07
Diseases of Women,	2,253	1.04
La Grippe,	2,234	1.03
Old Age,	2,062	0.95
Convulsions,	1,734	0.80
Cholera Infantum,	1,721	0.79
Suicide and Homicide,	1,632	0.75
Rheumatism,	1,395	0.64
Asthma,	1,274	0.59
Malarial Fever,	1,160	0.53
Dropsy,	1,104	0.51
Insanity,	1,084	0.50
Pvæmia and Septicæmia,	1,034	0.48
All other causes,	25,058	11.53
Total,	217,158	100.00

The most important cause of death in the Industrial mortality experience of The Prudential is shown to have been consumption and other tubercular diseases, forming 16.6 per cent. of the total mortality from all causes. Next to tubercular diseases we note an excessive mortality from pneumonia, responsible for 11.9 per cent. of the total deaths. The proportion of deaths from heart diseases and Bright's disease was 7.8 per cent. and 6.2 per cent., respectively, while accidents were responsible for 4.8 per cent. of the mortality from all causes. In comparing this mortality experience with the mortality of the general population, the fact must not be lost sight of that, it being the practice of the Company to accept risks on all healthy lives one year of age and upwards to the year seventy, deaths under the age of one are not represented in the mortality experience of the Company. The age distribution of the mortality is, however, fully disclosed in the next table, showing the actual and relative numbers of deaths at various groups of age:—

INDUSTRIAL MORTALITY EXPERIENCE. 1891-1898.

WHITE MALES AND FEMALES.

PROPORTION OF DEATHS AT VARIOUS AGES IN 100 DEATHS AT ALL AGES.

AGES AT DEATH.	MALES.	FEMALES.
2-4,	13.6	13.3
5-9,	6.6	6.7
10-14,	2.5	2.7
15-19,	3.7	3.9
20-24,	5.6	5.8
25-29,	6.7	6.4
30-34,	7.0	5.8
35-39,	6.8	5.1
40-44,	6.3	5.2
45-49,	6.3	5.6
50-54,	7.1	7.0
55-59,	7.2	7.8
60-64,	7.8	8.8
65-69,	6.9	8.2
70 and over,	5.9	7.7

The large proportion of deaths at the age period 2-4 (both years inclusive) is, of course, explained by the fact that Industrial insurance being family insurance, children of ages over one

form a very large proportion of the insured, but not more so than in the general population, as is made clear by comparative data for the city of New York, where, during the period 1891-1896, the proportion of deaths, ages 2-14 (both years inclusive), was 26.9 per cent., against 23.4 per cent. for The Prudential. A table has been given on page 218 showing the actual mortality experience per 1,000 living, for children under ten years of age, to which has been added the expected mortality according to the Farr life table, on which the premiums of the Company are calculated. It was there shown, and we have here additional proof, that in the practice of insuring children for small sums no unfavorable factors have been observed in the experience of the Company.

The quarter-century results of experience in business management are, perhaps, nowhere better brought out than in the vastly improved policy conditions of the Industrial contract, to-day practically identical in all essentials with the contract of Ordinary policy-holders. Briefly stated, the results of years of effort, of a strong sense of equity, prudence and liberality, are shown in the following statement of the Industrial policy conditions in 1876 and 1900:—

**EVOLUTION OF THE INDUSTRIAL POLICY OF
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.**

POLICY CONDITIONS.	1876	1900
Amounts of Insurance, Age 10, Premium 5c.	\$100.00.	\$120.00.
Benefit during first 3 months,	No liability.	One-fourth.
Death from Consumption during 1st year,	"	Full liability.
" " Heart Diseases " " "	"	"
" " Suicide,	VOIDS policy.	"
" " Intemperance,	"	"
Hazardous Occupations,	Very restricted.	NO restriction.
Residence,	Restricted.	"
Incontestability,	No provision.	After 2 years.
Paid-up Insurance,	None.	" 3 "
Additional Benefits,	"	" 5 "
Cash Dividends,	"	" 15 "
Cash-Surrender Values,	"	" 20 "

The great value of these concessions and the removal of many burdensome restrictions cannot be adequately estimated in dollars and cents. Still, as an indication of the financial

importance of the many measures introduced during the past twenty years, it is but proper that I should insert a brief, even though incomplete, statement as to the cost of the numerous concessions made *voluntarily* by The Prudential to its policy-holders:—

CONCESSIONS MADE BY THE PRUDENTIAL INSURANCE COMPANY OF AMERICA TO ITS INDUSTRIAL POLICY-HOLDERS, AND THE ESTIMATED COST OF SAME TO JANUARY 1, 1900.

CONCESSIONS.	COST.
Making retroactive the increase in benefits in 1886, and in Infantile benefits in 1896,	\$530,000
Granting Paid-up Insurance since November, 1893, on policies five years old, containing no agreement for same,	1,040,000
Granting Paid-up insurance from July 1, 1898, on policies three and four years old, containing agreement for Paid-up insurance after five years,	20,000
Dividends declared since January, 1897, on policies containing no provisions for dividends,	563,894
Allowing new policies to be written in full immediate benefit if original policies are lapsed,	27,000
Allowing policies that have been lapsed to be revived without the payment of arrears in premiums, such arrears being a non-interest bearing lien on the policies,	(Not estimated.)
Total estimated value of concessions,	\$2,180,894

Only the more important concessions are referred to in this table. Minor concessions, such as the rule under which the first two weeks' premiums are returned on request if policy is not satisfactory, the removal of the consumption and suicide clauses, the lien clause under which lapsed policies can be revived without the payment of arrears, the lien bearing no interest, and many others referred to in other parts of this work, cannot be conveniently calculated, but as the matter stands it is shown that the Company, during fourteen years, has made concessions to policy-holders, whose original contracts did not provide for privileges offered new insurers, to the extent of \$2,180,894. In other words, the Company never advanced a step, never made a distinct improvement in its policy contract, but it made such privileges and improvements retroactive to all policy-holders,

irrespective of the fact that under the original contracts policy-holders would not have been entitled to increased benefits in one direction or another. Does not this account for the fact that The Prudential holds so high a place in public esteem? Is it not clear, in the light of these facts, known to millions of our most intelligent working people, that The Prudential has been just, has been liberal, has been fair in its dealing with the masses, in marked contrast to the shameful betrayal of their interests in the past by thousands of concerns of whatever name, trading under the title of insurance organizations, largely, if not solely, for the purpose of personal profit? *Of all the beneficiaries to whom claims were paid by The Prudential during 1899, approximately 50 per cent. received more than their original contract called for.* Can any Ordinary, any Assessment, any Fraternal Insurance Company or Society point to a similar record of prudence, equity and liberality? Where so much has been done, there need be no doubt but that still further and still greater advancement will be made, but The Prudential will ever remain loyal to its early principles, will take no steps which are not based on its own experience, supported by observed facts.

These summaries and brief restatements of facts previously touched upon cannot fall very short of making clear the vast extent in operations and far-reaching economic and social consequences of this form of life insurance in the United States. They will make clear that the business is the result of evolutionary forces making for ages for an improved system of protection against the most immediate and socially important wants of the masses; they will have shown that Industrial insurance rests on a firm foundation, and that it enjoys the highest possible confidence and appreciation on the part of millions of our country's best and most respected class of industrial workers; that it includes the heroes of peace as well as of war; that it ministers to the wants of the young, the middle aged and the old; that it is national in its scope and extent, and that it has therefore a place in the social and political economy of the nation, well deserving of the most serious consideration of the statesman, the economist, and the social reformer. It has been shown that, from the standpoint of public policy, this system is worthy of State approval on the ground of a decrease in public burdens and the diminished need of private charity and aid, and in the corresponding increase

in the savings habits of the people and the longer life which must result from improved conditions of social life.

Most of all is Industrial insurance deserving of public respect and consideration in a Republic where the will of the majority is law, where the wishes of the masses are respected, where measures and tendencies meeting with extensive public approval are looked upon as evidences of progress in the direction of a higher and better life. The verdict of the masses, of the best elements of our industrial population, is certainly in favor of this form of insurance. However humble this struggle on the part of the working people to improve the conditions of their social and family life, the results, in the aggregate, are of almost stupendous proportion; and who will say that it is not true in this particular, as it has been pointed out by Mr. Lecky to be true in general, that "It is * * * * Industrialism that has brought into the world that strong sense of the moral value of thrift, steady industry, punctuality in observing engagements, *constant forethought with a view of providing for the contingencies of the future*, which is now so characteristic of the moral type of the most civilized nations."^{*}

Limited in space and time, I have, no doubt, fallen short in my aim to produce a work useful to the student of economics and social problems, a work which, while in a measure the history and record of events relating to The Prudential Insurance Company of America, is yet largely the history and record of events relating to the business as a whole. While I cannot have answered all of the many questions relating to the business which have in times past assumed more or less public importance, still, every effort has been made to meet reasonable expectation by a full and detailed treatment of the most important points of controversy. If it is said that a statement of the facts coming from one actively employed in the business of Industrial insurance must needs fall short of the highest requirements of critical examination, the answer is that the writer has kept in mind the well-known expression of Th. Ribot, that "It is a complete mistake to suppose that what is not true can be scientifically established,"[†] and with these words of proper caution I

* The Map of Life, p. 53.

† Heredity, p. 183. Appleton & Co., N. Y., 1891.

have approached my task, and trust that I have done the undertaking justice. At least, I have added to the rather limited body of available information relating to life-insurance practice and results a work containing the record of one institution to which the industrial population of this country is indebted for a new form of insurance, which has, forever, done away with the former crude and primitive types of so-called insurance societies and attempts to transact on the ancient basis of status a highly complex and intricate form of business enterprise, a business resting on recognized laws of human mortality and finance and possible of successful operation only on the basis of contract, the foundation principle of modern social life.

Years of personal experience in the field of actual business operations, personal contact with hundreds of thousands of our working population of all nationalities in various parts of the country, have convinced me that, after all that has been said and written on the progress of the masses during the past fifty years, but scant justice has been done the people in the fully deserved recognition of their efforts to improve the conditions of their daily life in a manner and a way most likely to bring about the realization of their, perhaps indefinite, yet strong and worthy, aims. There are those who think little of what the workingman does for himself, who think that most of their progress and improvement is the result of charitable or philanthropic efforts, but I, for one, share no such views. Years of experience have forced upon me the conviction and belief that the working people can be trusted in matters pertaining to the solution of their own problems, and that they will accomplish more by agencies of their own than by artificial agencies devised by others.

In the true and emphatic words of Mr. Herbert Spencer, "Which is the more misleading, belief without evidence, or refusal to believe in presence of overwhelming evidence?" and "If there is an irrational faith which persists without any facts to support it, there is an irrational lack of faith which persists spite of the accumulation of facts which should produce it; and we may doubt whether the last does not lead to worse results than the first."* I feel convinced that the facts here brought together will lead those who for the first time learn of

* The Ethics of Social Life, Part IV., § 133.

the vast extent of Industrial insurance, and the far-reaching results which have been accomplished through the work of The Prudential and other Industrial companies, to seriously consider whether this form of thrift and evidence of a healthy, robust struggle for economic independence, on the part of millions of working people, is not more deserving of approval and respect and sympathetic consideration than the many and far more costly efforts to ameliorate the condition of the people by artificial means through the medium of public or private charitable agencies. In simple justice to the wage-earners of this country, I feel convinced that never were words of Mr. Spencer more applicable to the affairs of daily life than in the following sentence, deserving to be engraved on the mind and memory of all who have the best interests of the masses at heart :—

“The average legislator, equally with the average citizen, has no faith whatever in the beneficent working of social forces, notwithstanding the almost infinite illustrations of this beneficent working. He persists in thinking of a society as a manufacture and not as a growth : blind to the fact that the vast and complex organization by which its life is carried on, has resulted from the spontaneous co-operations of men pursuing their private ends. Though, when he asks how the surface of the Earth has been cleared and made fertile, how towns have grown up, how manufactures of all kinds have arisen, how the arts have been developed, how knowledge has been accumulated, how literature has been produced, he is forced to recognize the fact that none of these are of governmental origin, but many of them have suffered from governmental obstruction ; yet, ignoring all this, he assumes that if a good thing is to be achieved, or an evil prevented, Parliament must be invoked. *He has unlimited faith in the agency which has achieved multitudinous failures, and has no faith in the agency which has achieved multitudinous successes.*”*

It was this clear recognition of social and economic laws and forces which made it possible for Mr. John F. Dryden to completely realize his early ambition, and succeed in the laudable endeavor to make a success of Industrial insurance and The Prudential Insurance Company of America. And nowhere, to my knowledge, has this been stated more clearly and precisely

* The Ethics of Social Life, Part IV., § 133.

than in Mr. Dryden's own words, in his presidential address at the reunion of officers and agents on January 10, 1900, than which I can select none better to conclude this sketch of the "History of The Prudential Insurance Company of America" :—

"This is a wonderful business, gentlemen, in which you are engaged. I speak of it now not from the confines of The Prudential's work, but from that great, broad arena which comprehends the whole scheme of life insurance, and may be found in operation in every country of the civilized world—a business with a noble history, a business with a lofty aim, a business with a magnificent purpose, a business with splendid results. Like most good and enduring things, its birth was humble and early advancement difficult. Originating back in remote antiquity, it has moved forward by slow stages, but in regular gradation, until to-day it stands upon a solid basis and challenges the admiration of the whole world. It could not be removed from the great scheme of the social and political economy of our civilization without bringing a disaster upon the human race which no man can foresee or measure, and that particular part of the plan, gentlemen, which has from its beginning characterized the history of The Prudential is more marvelous than all the others.

"Taking its root in human affection, in that lofty desire to provide for one's own, the germ of it lying back out of our sight, even before recorded history began, it has gone on by a process of evolution—first the gild, then the burial societies, then the friendly societies—until at last it has been placed upon an immutable and scientific foundation, and we have the Industrial insurance company. An Industrial company like The Prudential offers to the people a perfected and well-rounded-out scheme of life insurance, in that it places its blessings within the reach of all classes, male and female, rich and poor alike. It is the highest development of life insurance in existence."

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