



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

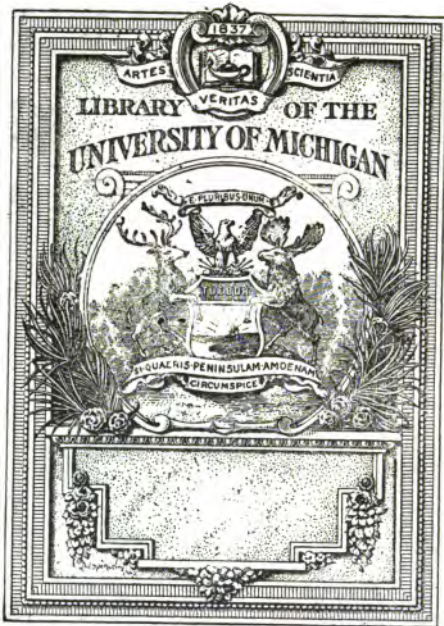
Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

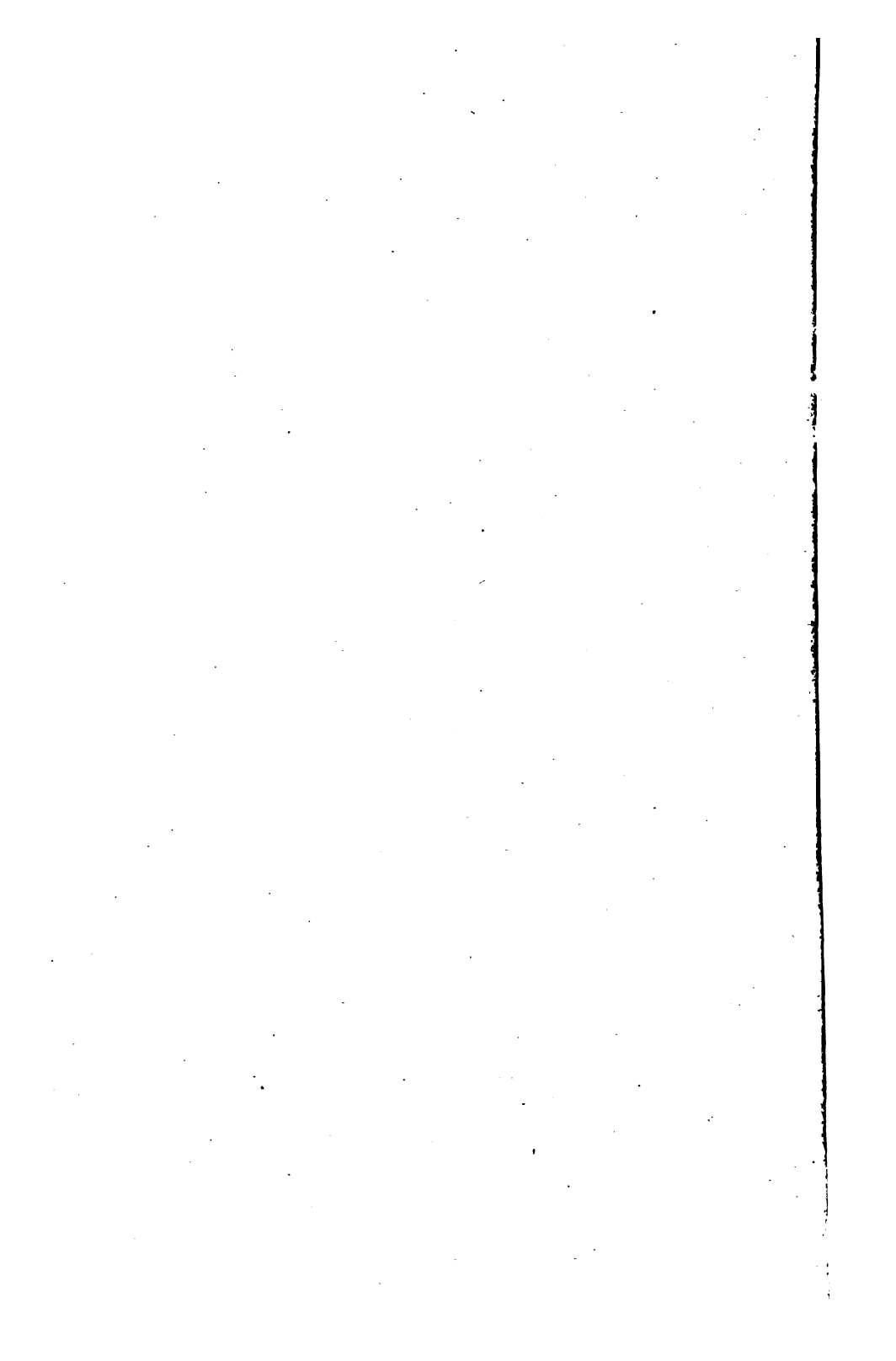


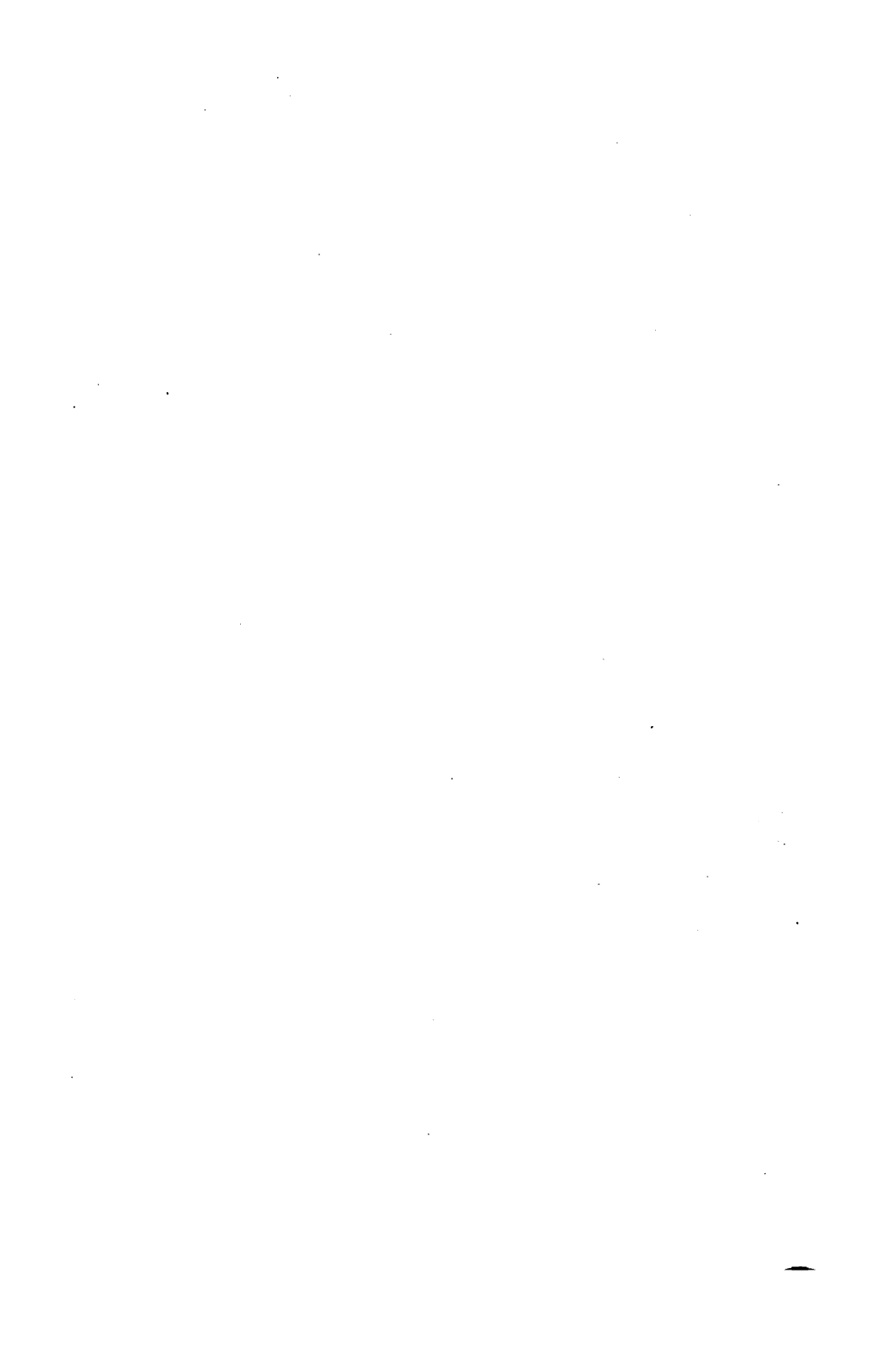
HG

8963

E65

A2





“ I feel that the management of our life insurance companies is in strong and dutiful hands ; that American life insurance will live to bless our people as long as American civilization lasts, and will endure and grow as long as civilized men, while living, take forethought of the event of death.”

“Those who control and manage life insurance enterprises should be absolutely and disinterestedly devoted to the interests of the assured. The relations between policyholders and their companies should be friendly, trustful, and cooperative. . . . With fairness and liberality on the part of the companies, and an exact understanding of what the policies mean on the part of the assured, they ought to be friends, with a mutual interest in everything that affects the rights and fair treatment of the company. This condition cannot exist if . . . policyholders are allowed to remain in slothful indifference to the fact that unfairness to their companies is unfairness to them, and that the unjust taking of money by legislation or otherwise from the funds which are held by their companies in trust for them, cannot be regarded otherwise than as a wrongful and unjust diminution of their individual savings or possessions.”

GROVER CLEVELAND.

Governor Hughes has said of the new insurance laws of the State of New York :

“These statutes were enacted after very careful consideration . . . with the object of furnishing more secure protection to the policyholders.”

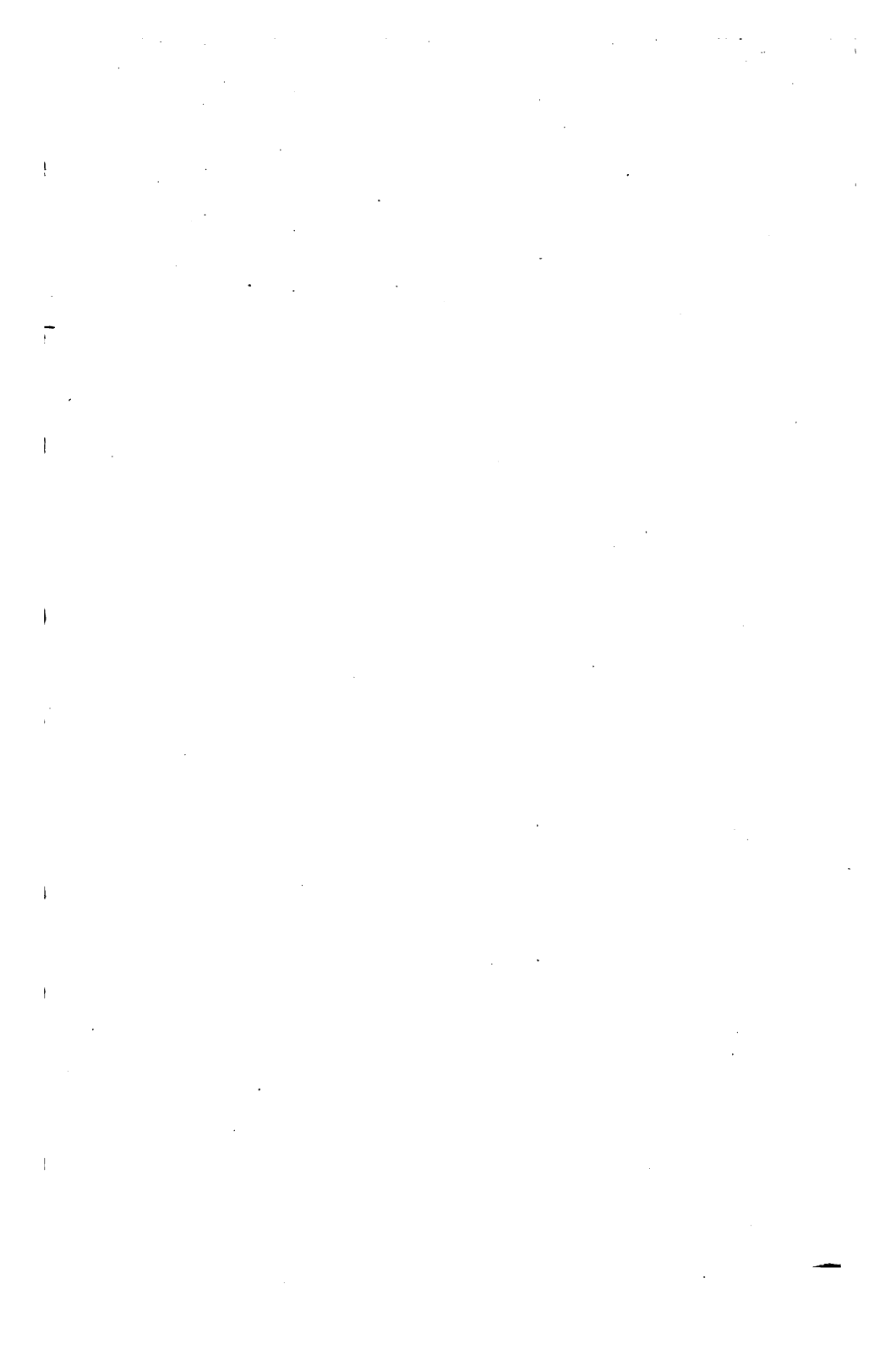
In reference to the restrictions of these laws he has said :

“I would rather take insurance in a New York company compelled to transact business under these restrictions than in any company not so restricted ; and I believe that will be the sentiment of the people of these United States.”

“I claim to be an insurance man, and I am the kind of insurance man representing millions who are largely dependent upon insurance for the security of their homes. As a young man I realized that there was only one way in which a poor man without capital could protect his family from the vicissitudes of fortune, and make proper security against the day which must come to us all ; and that was through life insurance. And I have been adding to my holdings in life insurance from that time to this. If I were to die to-night the entire protection of my family would to a very large extent consist of life insurance policies.”

CHARLES E. HUGHES.







Paul Weston

THE EQUITABLE SOCIETY'S
FIRST HALF-CENTURY



The First Fifty Years
OF
The Equitable
Life Assurance Society
of the United States

1859-1909

PAUL MORTON, PRESIDENT

June, 1909

COPYRIGHTED
by
THE EQUITABLE LIFE ASSURANCE SOCIETY
of the United States
and Published in June, 1909
for the information of
Policyholders

ENGRAVED AND PRINTED BY
THE W. F. POWERS COMPANY
30-38 FERRY ST., NEW YORK

Q140069 S.S.

P R E F A C E

This volume does not contain the biographies of the men who organized and developed the Equitable Life Assurance Society of the United States. It is a history of the company as distinguished from the men who built it. The scope of the book is explained in the first Chapter.

Reclassed 9-23-30 E. R.

198816

“ My advice to every man who has a policy in a solvent company, is to hold fast to it.

“And it is my deliberate judgment that every man, who needs insurance for the protection of his family, should promptly avail himself of its protection.

“ There are many business and professional men in every community who are without capital, but whose income is sufficient to permit them to protect those dependent on them in this way. To such men life insurance is, in the vast majority of cases, their only resource—and it is a grave truth that if they neglect this opportunity the chief injury will fall, not upon them, or upon the companies, or upon the community at large, but upon widows, orphans, and aged men and women.”

PAUL MORTON.

CONTENTS

CHAPTER	PAGE
I. INTRODUCTORY	15
II. ORGANIZATION	17
III. BEGINS TO DO BUSINESS	32
IV. THE FIRST DECADE	37
V. WHEN TEN YEARS OLD	44
VI. THE FIRST PANIC	54
VII. WHEN TWENTY YEARS OLD	68
VIII. SECOND QUARTER-CENTURY	85
IX. RENAISSANCE OF INSURANCE	93
X. 1906, 1907, 1908	103
XI. THE SOCIETY IN 1909	111
XII. THE FUTURE	119

THE EQUITABLE LIFE ASSURANCE SOCIETY
OF THE UNITED STATES

CHARTER FILED MAY 10, 1859

CERTIFICATE OF AUTHORITY ISSUED
JULY 25, 1859

CERTIFICATE FILED JULY 26, 1859

Whereupon the Society was "duly authorized
to commence the business of insurance as pro-
vided in its Charter."

OFFICE OPENED JULY 28, 1859

On which day the first policy was issued.

CHAPTER I

INTRODUCTORY

The reader who is in haste may skip this chapter and turn to Chapter II where our history begins. But he will not save time by so doing, for this introductory chapter will give him the right point of view and facilitate his progress.

History is largely taken up with biographies of men; and when a comprehensive history of Life Insurance is written it will have as much to do with men as with corporations. But here we have space only for the briefest outline of the development of a single company—The Equitable Life Assurance Society of the United States. The story of the men who built it and the credit they deserve must be reserved for the future.

But in centering our attention on the company as distinguished from its makers we shall gain a certain advantage: we shall see more clearly that we are dealing not with a "soulless corporation," but with a living organism—a company having character and individuality.

THE NAME GIVEN TO THE NEW COMPANY

But what *is* The Equitable Society? Its name is significant: it was suggested by that of the "Old Equitable" of London, the first company to establish the business of life insurance on a scientific basis.* The name is also suggestive of equity—fair dealing—a liberal policy of administration. And the Society's history proves that it has not belied its name. Finally, the choice of the word "society" is significant: the Equitable is simply an association of four hundred and thirty thousand members, banded together for mutual advantage. It is true that the organization is given corporate form and is controlled by a charter and the insurance laws of the

*The "Old Equitable" is now 147 years of age.

State. But this is necessary to facilitate its business and protect its members.—The interests of the company and those of its members are identical.

What the Equitable was fifty years ago, what it is today, and how its present position has been attained, the following chapters will show. And incidentally the fact will be revealed that the Equitable is not simply a conventional example of a multitude of organizations all substantially alike. It is in many respects unique. It has blazed new paths; has been creative—inventive—at times startling in its innovations. And herein lies the chief interest in the narrative.

THREE PERIODS

The Society's history may be divided into three periods of unequal length.

I

The first has been called "The Day of Small Things," when the struggle was mainly for existence and recognition. This period was of short duration.

2

The second period, lasting for many years, has only culminated recently—a constructive, aggressive, picturesque period, remarkable for rapid growth.

3

The third period, inaugurated within the last few years, may be expected to extend far into the future, and may be described as a period of *conservation of forces*—A period during which growth must be deliberate; for the Society has reached an age when its old policies will mature in great numbers, and when a large business will be needed simply to fill up the gaps caused by these maturities. Hereafter, as President Morton has wisely said, "The effort must be not to make the Society the *largest* company but the *safest* and the *best*."

CHAPTER II ORGANIZATION

Fifty years ago, on the 18th of April, 1859, twenty-two representative business men met in the office of the Resolute Fire Insurance Company in the City of New York to organize a new life insurance company.

The minutes of that gathering, inscribed in a great volume bound in faded red leather, are the records of the first formal meeting of the incorporators of The Equitable Life Assurance Society of the United States.

PRELIMINARY WORK

Work of importance had already been done: These twenty-two men, with twenty-eight others, had agreed to serve as directors. Letters had been sent to thousands of prominent citizens of New York, Boston and Philadelphia, inviting them to insure, and a hundred or more had promised to do so. On May 1st, a small back room on the second floor of a four-story building over against Trinity Church-yard had been rented for an office;* and a sign much larger than this small room had been placed across the front of the building, just above the sign of another life insurance company. That other company had been in successful operation for more than sixteen years.

A motive, which did not appear on the surface, prompted this selection of an office: the president of the older organization had stated that there was no room for another company; that within a year this infant enterprise would be knocking at the doors of his office and asking to be taken in, and that those who had consented to identify themselves with it would lose both money and reputation. But the enterprise had not been projected without deliberation: the incorporators had satis-

*This building was at No. 98 Broadway. The lease was made with James W. Wilson, for six months, at a rental of \$450.

fied themselves that there was not only room for a new company but that an opportunity existed for developing and extending the business of life insurance along paths that had hitherto remained untrodden. So they advanced boldly; and by opening an office in the building occupied by the largest and most powerful American life insurance company then in existence, they threw down an invisible gauntlet, and issued a silent but significant challenge to that company, as well as to the other companies then in the field.

That first meeting was a memorable gathering. A "declaration" was made; and, as the record states,

"It was proposed to organize the company upon the mutual principle, and under the laws of the State of New York which require that a paid-up capital of not less than \$100,000 should be placed in the hands of the Comptroller of the State before business could be commenced. In raising this capital subscribers were informed that the Society intended to pay only 7% per annum to stockholders, this being the interest which the money might earn when invested; and all profits arising from the business of the company were to go to the credit of the insured."

A Charter was then adopted and recorded in the Minute Book. This Charter provided that the corporate powers of the company should be vested in a Board of fifty-two men whose names were given.*

*Fifty qualified. Two (H. D. Newcomb and Ezra C. Read) declined to serve. Geo. T. Adee was elected on July 27th, 1859, in Mr. Newcomb's place, and C. F. Park was elected in Mr. Read's place. But the latter also failed to qualify, and, on September 14th, 1859, J. F. de Navarro was elected to fill the vacancy. These two (Messrs. Adee and Navarro) although not named in the Charter, thus became members of the original Board.

The Charter stipulated that a majority of the Board should be residents of New York. As a matter of fact 35 were residents of this State, 8 of New England, 3 of Pennsylvania, 2 of New Jersey, and the remaining 4 were Westerners.

Of the original Board none remain. Mr. Navarro, after a service of fifty years, died in this City on February 2d, 1909. One member of the first Board, B. F. Manierre, still survives, but in consequence of his election to the Legislature he resigned from the Society on the 11th of April, 1860.

ORIGINAL BOARD OF DIRECTORS

Wm. C. Alexander,	Henry B. Hyde,	J. F. de Navarro,
H. M. Alexander,	James M. Halsted,	Geo. T. Olyphant,
George T. Adee,	E. J. Hawley,	S. H. Phillips,
John Auchincloss,	Irada Hawley,	B. F. Randolph,
Benjamin E. Bates,	Moses A. Hoppock,	John Slade
James M. Beebe,	Henry A. Hurlbut,	Thos. U. Smith,
Thomas A. Biddle,	Henry H. Hyde,	S. R. Spaulding,
Robert Bliss,	J. L. Kennedy,	Geo. H. Stuart,
Wm. T. Blodgett,	Edwd. W. Lambert,	Henry S. Terbell,
Henry V. Butler,	Wm. G. Lambert,	Dwight Townsend,
Francis B. Cooley,	Daniel D. Lord,	Alanson Trask,
Wayman Crow,	James Low,	William Walker,
Thomas A. Cummins,	B. F. Manierre,	W. Whitewright, Jr.,
Henry Day,	Peter McMartin,	Wilmot Williams,
S. Frothingham, Jr.,	E. Spencer Miller,	Alexander Young,
Henry J. Gardner,	John T. Moore,	Henry Young,
Dudley S. Gregory,	Geo D. Morgan,	Thos. S. Young.
	H. G. Marquand,	

The charter provided that each director should be "a proprietor of at least five shares of the Capital Stock."* It was also stipulated that under certain conditions policyholders might be given the right to vote for directors. The germ of very important action taken nearly half a century later is to be found in this concluding stipulation.

PRESERVING A MUTUAL ORGANIZATION

Some of the incorporators were dissatisfied with the paragraph in the Charter limiting the dividend on the Capital to 7 per cent. for all time; so a meeting was held on May 2d, to consider an amendment, under which it was proposed to raise the dividend to 10 per cent. After protracted discussion the proposed amendment was withdrawn and the Charter remained unchanged.

*The Capital of \$100,000 was divided into 1000 shares of \$100 each, and all (except a few shares taken by friends of the incorporators) were subscribed for by the directors; some taking 5 shares, some 10, and a few larger amounts. The largest subscription was for 80 shares and the smallest for 3 shares. A great deal of hard work was needed to place this stock, whose value depended altogether on the future success of the infant enterprise.

On May 10th, the Charter was filed in the Comptroller's Office at Albany.

ORIGINAL OFFICERS

The original officers were named at a meeting of the incorporators held on the 14th of July, as follows:

William C. Alexander, *President*.
Henry B. Hyde, *Vice-President*.
George W. Phillips, *Actuary*.
Edward P. Williams, *Secretary*.
Dr. Edward W. Lambert, *Physician*.
Dr. Willard Parker, *Consulting Physician*.
Daniel Lord, *Counsel*, Henry Day, *Attorney*.

THE PRESIDENT

William C. Alexander, who was born in Virginia, in 1806, was the second son of the Rev. Archibald Alexander, D.D., of Princeton. He was graduated from Princeton College in 1824, and subsequently entered the legal profession. His abilities soon made him prominent as a statesman and orator. He was elected to the legislature of New Jersey in 1836; served for three terms as President of the Senate of New Jersey; was nominated for Governor in 1859; was candidate for the Vice-Presidency at the Charleston Convention, and was a delegate from New Jersey to the Washington Peace Congress.

THE VICE-PRESIDENT

Henry Baldwin Hyde was born in the village of Catskill, New York, on February 15th, 1834. He came to New York in 1850, and finding no opening went to Honesdale, Pennsylvania, where he remained for a few months. Returning to New York he secured a clerkship in a mercantile house. In 1852 he obtained a subordinate position in the office of the Mutual Life Insurance Company, and later on became cashier of that company. This office he resigned in 1859, when twenty-five years old, to take the lead in founding the Equitable Society.



William C. Alexander



He is described as being at that time, "of commanding presence, tall, strong of limb, with dark hair but clear complexion, handsome in feature and singularly bright and alert. His eyes, which were dark, and gleamed from beneath heavy eyebrows, arrested instant attention, and it is scarcely a figure of speech to say that they 'pierced like a sword.'"

The President of another company pictured him as follows :

"The start of Mr. Hyde's life is the start of the Equitable Seven years of preparation found him at twenty-five tired of subalternism and ripe for leadership. Whereupon he summoned into existence the Equitable. From the moment of its birth he had a purpose in life—a distinct aim that nothing ever daunted. The company began with a volume of business he had personally solicited which would be a handsome tribute to the brilliant field-men of to-day In his onslaughts—and they were mighty when he was aroused—he wasn't satisfied to get up early in the morning for preparation; he was always up the day before. When most men were considering when to begin he had it done. His feet, in the earlier days especially, were always in the stirrups."

One of Mr. Hyde's associates once said of him :

"I have never seen a man who could work as fast or as hard. Not only could he accomplish more himself, but he could get more work out of a greater number of people, at one and the same time, than any man I have ever known.

"He had a sort of omnipresence, that seemed almost like a hypnotic influence, which kept his associates and assistants at concert pitch all the time.

"He was absolutely devoid of all false pride, never stopping to consider whether a piece of work might be regarded as beneath the dignity of the president of a great life insurance company or not. If he felt that by undertaking it himself the Society would be the gainer, he would undertake it. But no one could reflect upon the dignity of the Society in his

presence with impunity. If its fair fame was assailed, his righteous indignation was instantly roused, and when his indignation was roused his action was swift and decisive."

And a competent authority has summed up his achievements in the following language :

"He was the greatest constructor and developer in the field chosen by him for his work that has ever been known in this country.

"He not only founded the company which he lived to see surpass all others in strength and usefulness, but he inspired others with his own zeal and enthusiasm, so that the undertaking molded and brought to perfection by him should continue with ever-increasing force and effect for all time.

"He was not content with rearing an immense financial corporation based on the soundest and most enduring principles, but undertook and successfully wrought out a complete revolution in the methods of the life insurance business, eradicating evils which had become habitual in the craft, and introducing reforms, all of which were so clearly equitable, just, and popular that the example set by the Society has become crystallized in the general practice of all companies asking for the confidence of the public."*

THE ACTUARY

George W. Phillips was born at Salem, Massachusetts, in 1827. He was graduated from Harvard College in 1847, became a civil engineer, and was subsequently recommended by Professor Peirce of Harvard as eminently fitted for the office of actuary of the Society. He was one of the charter members of the Actuarial Society of America, and served at one time as its vice-president. He was recognized as one of the most distinguished actuaries that this country has produced.

THE PHYSICIAN

Dr. Edward W. Lambert was born at Boston in 1831. He was graduated from Yale College in the class of

*For further details regarding Mr. Hyde see page 89.

1854, and studied medicine under Dr. Willard Parker of New York. He was a graduate of the College of Physicians and Surgeons, and was connected with Bellevue Hospital when requested to take charge of the medical department of the infant company. He was a man of rigid integrity, combining a sweet and sunny disposition with great force of character. He quickly won the respect and affection not only of his fellow officers but of the agents, whom he was often forced to disappoint. But they never questioned his integrity of purpose or the justice of his rulings.

It was agreed that the salaries of the officers should, during the Society's earlier years, be merely nominal; and the physician's compensation was to be limited to a fee of \$3 for each examination made (any excess over \$1000, however, to revert to the company). The consulting physician, attorney and counsel, were to be paid only for services rendered.

THE FIRST AGENTS

The first two agents authorized to represent the company were named at the meeting held on July 14th; one to solicit business in New York, the other in Boston. The latter, Henry H. Hyde, father of Henry B. Hyde, was an insurance man of long experience, and many years afterwards the son said of him, "In the beginning of our enterprise I constantly consulted my father, and it was to a large extent owing to his advice, based upon his great experience, that no mistakes were made in our early history." Henry H. Hyde was the most successful solicitor of his day, and the large volume of business transacted by him was of enormous value to the young company.

ORGANIZATION COMPLETED

On July 25th a "Certificate of Authority" was issued by the Comptroller of the State, in which it was declared

that the Society, having complied with the law, would, upon filing the said certificate in the County Clerk's Office in the City of New York, be "duly authorized to commence the business of insurance as provided in its Charter." The certificate was accordingly filed on the following day; and from that date, *July 26th, 1859*, the corporate life of the Society begins.

On the afternoon of the same day the following notice appeared in the *New York Evening Post*:

"The Equitable Life Assurance Society of the United States has completed the preliminaries of its organization, and by announcement in to-day's paper informs the public of its readiness to commence underwriting.

"This company has been built upon a sure foundation, as indeed the names of its directors sufficiently indicate. The Office of the Company for the present is at 98 Broadway, but will soon be removed to the new building No. 92 Broadway.

"The officers of the company are gentlemen well known in this City and are abundantly qualified for the positions they are to fill.

"This is the first company that has been organized in this Country within the past five years. There is an abundant field for its operations."

FIRST DIRECTORS' MEETING

On the following day (July 27th) the first formal meeting of the Board was held. Twelve directors were present, with the President in the Chair; the Secretary serving for the first time as clerk of the Board.

At that meeting it was formally announced that the Capital of \$100,000 had been fully subscribed, had been invested in United States securities, and had been deposited with the Comptroller at Albany.

By-Laws were then adopted, and a resolution was passed ratifying the minutes of the meetings already held, as well as all previous acts of the incorporators and directors.

CHARACTER OF ORGANIZATION

Interesting reminiscences of this period are contained in an official report made about ten years later. From this report the following is quoted :

“The first step in the history of the Equitable was the adoption of a plan of business. A number of systems which were then more or less popular presented themselves for selection. *The note plan*, offering a bid to the unthinking public, was one of them. *The mixed plan*, by which the stockholders would participate in some of the profits (which by an equitable distribution should go to the insured) was one of them. *The proprietary (or stock) plan* by which all the profits of the business would go to the stockholders, was one of them. The directors, more mindful of the interests of those for whose advantage the Society was incorporated than of a large pecuniary benefit, and too solicitous as to the future interests of the policyholders to yield to any of the popular fallacies of the day, determined that the business should be conducted upon the *all cash basis*, and that all profits should go to the holders of policies in the company and not to the stockholders; the stock capital having been made up only to comply with the provisions of the Insurance Laws of the State of New York, the object of the Equitable’s projectors being to make the company purely mutual.”

CONSERVATISM

The note (or credit) plan was exceedingly popular, and the incorporators of the Equitable showed backbone in establishing the company on a strictly cash basis. The same spirit was exhibited in their refusal to limit their insurance to the lower “stock” rates then charged by many large and flourishing companies in England and elsewhere. Recognizing the greater security of the mutual principle, and knowing that when the time should come for dividends to be paid the temporary advantage incident to the stock method would be overcome, they shaped their plans accordingly, and then proceeded to concentrate their efforts on the establishment of a firm

foundation, seeking to conduct the affairs of the Society with all possible energy, but at the same time with the strictest caution and economy. And the early prosperity of the Society was largely due to the modest and economical basis on which its affairs were conducted. The Actuary attended to all the necessary duties of the office, keeping the books and answering the letters; the only assistants being an errand boy at \$1.50 a week, and an outside copyist. Many important services were also rendered gratuitously by the directors.

FIELD OF OPERATIONS

Before proceeding with our narrative it may not be uninteresting to glance at the general conditions prevailing at the time the Society was launched.

When the Equitable was established the total population of New York, Harlem and Brooklyn was a little over one million. To-day the population of Greater New York is nearly four and a half millions.

At that time the city was chiefly below Madison Square, although it was rapidly extending northward on the East Side; and a fashionable settlement was springing up on Murray Hill.

Workmen were digging and blasting above 59th Street in the bare and rocky wilderness which a few years later was developed into Central Park.

The Forty-Second Street Reservoir supplied all the water that came into the city, and looked like an outlying fortification, surrounded as it was by a waste of vacant lots and stock-yards. The favorite promenade for children and nurses was on top of the encircling walls of the Reservoir, and on their way to it these children passed a number of country residences whose gardens fronted on the Avenue.

The Hippodrome, which had stood at the corner of 23d Street, had been pulled down to make way for the Fifth Avenue Hotel.

There were a few horse-cars, but the business men went to their offices in the heavy omnibuses that lumbered up and down Broadway in summer; and patronized in winter the open four-horse omnibus sleighs, filled with straw, that replaced the omnibuses.

Rents were low, supplies were cheap, and the cost of living in New York was scarcely more than half what it is to-day.

There were no high buildings, and the largest shop in the City was that of A. T. Stewart, at the corner of Broadway and Chambers Street.

Stenographers were not employed in business offices, typewriting instruments and telephones had not been introduced, and there were no passenger elevators in any of the office buildings.

There were then only thirty-three States, and many regions now thickly populated were wild and undeveloped. The voyage from New York to Liverpool in the small steamers of the Cunard and Collins Lines usually took a fortnight, and the Atlantic Cable had not been laid. It took nearly as long to go by rail from New York to St. Louis as it now takes to get to San Francisco. There were no trans-continental railways, and railroads and telegraph lines extended only to important centres. Now there are 220,000 miles of railroad in the United States—nearly half the mileage of the world.

The great panic of 1857 was still fresh in the minds of business men. Nor were the lessons taught by it disregarded by the directors of the Equitable; for an early circular contains the following comments on its ravages:

“The labors of a lifetime, round which clustered the fondest hopes and expectations were instantly destroyed—gigantic estates were scattered as things of naught—the profoundest wisdom of business men availed but little—all were swept away in an unexpected moment, as the tornado with irre-

sistible force passed over us. The anxieties which naturally occupied the minds of men after the panic had stripped them of their property were greatly increased by the thought that should they be called to die at that critical time their families would be in a helpless state. As we are recovering from the effects of the revulsion it becomes men of good judgment to protect their wives and children from the results of similar misfortune in the future. In view of the above facts every man who is engaged in business and who knows that his premature death might deprive his family of the comforts, not to say the necessities of life, should accept the proffered boon of life insurance."

The public at large knew little about life insurance, and the representatives of the companies had to explain as well as to persuade.

The aggregate results achieved up to that time by the companies then doing an insurance business seem almost insignificant to us to-day*; but the business was soon to receive a wonderful impetus, and the Equitable was to have a potent influence in its development.

*It has been estimated that at the time the Equitable was organized the total amount of insurance in force in the United States did not exceed \$180,000,000.



THE SOCIETY'S FIRST OFFICE
No. 98 Broadway

CHAPTER III

THE SOCIETY BEGINS TO DO BUSINESS

The Society opened its doors to the public on July 28th, 1859. On that day fourteen policies were issued, covering \$100,500 of insurance.

A NEW OFFICE

On December 1st, the office of the Society was transferred to the new building, just completed, at 92 Broadway, where four rooms were occupied.

At a meeting of the Directors held on September 14th, the seal of the Society was formally presented and adopted, and an impression of it may be seen on the page of the Minute Book containing the records of that meeting.

On December 31st, the Society made its first report to the new Insurance Department of the State of New York which had just been established. This report showed that the Outstanding Insurance had reached the sum of \$1,144,000 at the close of the year 1859.

The first directors' meeting in the new office was held on January 11th, 1860. This was also the first "Annual Meeting," and the President, in his Report to the Board said:

"A contract was made for these apartments before the demolition of the building which occupied this site, at a rent far below what they would have commanded at any time since its completion. The lease was made with the estate of the late John Suydam for ten years at \$2500, and this lease will doubtless be considered by the Board as of greatly increasing value."

This report went on to show the care with which expenditures had been made for fittings and furniture; and a stationer's bill of \$1,600 (which was to be liquidated



THE SOCIETY'S SECOND OFFICE

No. 92 Broadway

gradually) was defended on the ground that some of the supplies covered by it would never need to be replaced and that the rest would last for a long time.

It was stated that a number of policies for \$10,000 had been issued, but that in each case half the risk had been reinsured, so as to make \$5000 the Society's actual limit.

Up to that time most of the applications obtained had been secured by the Vice-President and Mr. Henry H. Hyde, supplemented by the efforts of the other officers and directors.* It was reported at this meeting, however, that the Vice-President had been travelling extensively in the western towns, selecting agents and medical examiners, and that several additional agencies had been established in the East.

At the next meeting, held on the 11th of April, 1860, the President said to the Board:

"When it is considered that up to this date no less than 412 policies have been issued (involving a risk of one million and a half of dollars) and that so far no loss has been sustained, we cannot but feel that the progress and success of the Society have been eminently auspicious."

CANVASSING MATERIAL

The earlier canvassing documents of the Society were brief circulars giving the names of officers and directors; eulogizing life insurance, and stating that the physician would be in attendance at the office by day, and at his residence by night.

Early in the year 1860 the President announced that 30,000 copies of a carefully prepared pamphlet had been issued, "whose cost had been defrayed by advertisements bound up in the work."

This pamphlet had little to say about the Society (whose financial statement was still a meagre exhibit as

*A special committee of the Board reported in January, 1863, that of the first 800 policies issued by the Society, 160 had been secured by Henry B. Hyde's personal solicitation.

compared with the reports of its older competitors) and was taken up chiefly with general arguments in favor of insurance, the opinions of influential writers, and advice to those who had neglected to insure.

COMPETITION

When the Equitable Society opened its doors it came into immediate competition with twenty-four older companies. One of these, also a New York organization, was more than sixteen years older than the Equitable, with Outstanding Insurance of \$37,000,000, Assets of nearly \$6,000,000, and an income of upwards of a million and a quarter. It had reached, or was about to reach, the magnitude of the largest British company then in existence; and its Outstanding Insurance surpassed that of the largest German company by about 57 per cent. The second largest company was a Connecticut organization, and was twelve years older than the Equitable, with Outstanding Insurance of upwards of \$22,000,000.

Six of these twenty-four companies were New York organizations; twelve were companies of other States, and six were British. There were other companies, but none of them were as yet competing for business in New York or Massachusetts.*

Of the eighteen American companies six have disappeared or have ceased to transact the business of life insurance, and only twelve remain. The six British companies have all disappeared or retired from the United States.

OBSTACLES

But the young Society had other difficulties and perplexities to contend with. Buchanan was still President. The long contest between the North and South had entered upon a stage of extreme exasperation, and the

*As nearly as can be ascertained from the early records there were thirty-two regular companies operating in the United States when the Equitable was organized.

Republican Party (only consolidated by its defeat under Fremont in 1856) was now encouraged by divisions among the Democrats, and was concentrating its strength for another decisive struggle. The whole Country was agitated by the strife, and heavy clouds already portended the storm which was close at hand. A new insurance craft could hardly have been launched upon a darker or more troubled sea. But at the end of the year 1859, when the Society was only five months old, its Outstanding Insurance exceeded that of three of the older companies; and in 1860 it passed three others.

EARLY ECONOMIES

At a directors' meeting held on April 11th, 1860, the President said:

"The first year of a company of this character is necessarily a year of expense, but the officers of this Society have labored to conduct its affairs with all the economy compatible with the character of the institution. The heaviest liabilities have now been paid. More than two thirds of the stationer's bill mentioned in the last report has been settled, and it is intended to liquidate the balance at an early date. Few bills of any size are outstanding, and it is hoped that before the next meeting no claims will remain against the Society other than those for current expenses."

In August, 1860, the Society employed its first clerk,* all office work having been performed for more than a year by the officers. Nor was it until January, 1861,§ that a second clerk was brought into the office.

*James B. Loring, who later on became Registrar of the Society, and was retired in 1903.

§The late Thomas D. Jordan, who became cashier, and subsequently Comptroller of the Society.



CHAPTER IV

THE FIRST DECADE

The latter part of the year 1860 was unfavorable for business of all kinds on account of the intense excitement preceding and following the election of President Lincoln, and the secession, on December 20th, of the State of South Carolina. Notwithstanding this, the Society made some progress, and closed the year with \$2,641,500 of Outstanding Insurance.

By that time it was represented by 229 agents, of whom 45 were in New York and 184 in other States.

THE CIVIL WAR

More serious obstacles were encountered in 1861. Political excitement was at fever heat. Six other States followed quickly the example of South Carolina. Five seceded in January and one in February. Fort Sumter was bombarded on April 12th, 1861, and the proclamation of President Lincoln calling for 75,000 volunteers was answered by the secession of the great border States which had previously sought to bring about an amicable adjustment. The Confederate Government was organized, and its seat was removed to Richmond, Virginia. On the 21st of July was fought the disastrous battle of Bull Run, and it became necessary for the Government to organize new armies.

EXTENSION OF THE SOCIETY'S OPERATIONS

The stagnation of business along the Northern Seaboard and its absolute suspension in the South at that time turned the attention of the directors to the West and Northwest. At a meeting held on the 10th of April, the question of transacting business in California at regular rates was submitted to a committee for investigation;

and authority was given to establish an agency in Wisconsin, where a satisfactory representative had been found. At about the same time an arrangement was made with J. B. Bradley "to canvass the States of Maine and New Hampshire, with the object of introducing the operations of the Society in all parts of that desirable territory."

Up to that time the Society had established no agencies in the State of Pennsylvania. An oppressive law, requiring every foreign company transacting business there to have a paid-up capital of at least \$200,000, had stood in the way. But in 1862 the largely augmented assets of the Society enabled it to begin active operations in Philadelphia and Pittsburg "under the guidance of eminently qualified agents."

It was not possible to make rapid headway under the conditions then prevailing. Some of the companies lost ground, and the progress of the rest was slow. The Equitable, however, reported a substantial increase in its business; and before the close of the year it was deemed safe to increase the risk limit to \$10,000.*

Notwithstanding the continuance of the Civil War the Society made material advances in 1862 also. And on the 14th of January, 1863, the President reported that there were 380 agents in the field, and that the business was well distributed throughout the Northern States. At the end of the year the Outstanding Insurance amounted to \$9,260,450.

In 1864 the Society gained more than \$7,000,000 of insurance, and closed the year with Insurance In Force of \$16,564,700. Five years had elapsed since its first report had been made to the New York Department. Its advance during that period is illustrated by the following figures:

*The practice of reinsuring a part of every risk above \$5,000 was thereupon discontinued.

FIVE YEAR'S GROWTH.		
DATE	ASSETS	INCREASE OVER PREVIOUS YEAR
Dec. 31, 1859	\$ 117,102	
“ “ 1860	162,618	\$ 45,516
“ “ 1861	210,636	48,018
“ “ 1862	324,013	113,377
“ “ 1863	584,714	260,701
“ “ 1864	1,125,381	540,667

By that time the Society was far ahead of all younger companies and had outrun many of its older competitors.

FIRST DIVIDEND TO POLICYHOLDERS

In January, 1865, the Society distributed a large proportion of its accumulated surplus in its first dividend to policyholders.

In establishing the practice of paying dividends at five year intervals, it had imitated the older American companies, whose practice had been based on that of the English companies. Up to that time the practice of paying dividends annually had never been thought of. As soon, however, as the Equitable had declared its first quinquennial dividend, its most formidable competitor* announced that in 1866 it would inaugurate the new practice of paying dividends annually.

This was a startling innovation, and came as a staggering blow to the officers of the young Society, who inferred that the measure had been decided upon by its older competitor with the belief that the Equitable would find it impossible to follow this lead so soon after distributing the greater part of its surplus, and that the older company would monopolize the advantage of introducing a novelty. Many years after, in commenting on

*The company over whose offices the Society had established its headquarters in the beginning.

this critical moment in the Society's history, President Hyde said:

"The first serious anxiety we had regarding our success came immediately after the announcement of our first quinquennial dividend. We had divided among our policyholders nearly all the surplus accumulated during the previous five years. We had thus drained our coffers, and I need not tell you that the actual surplus remaining was not very large."

But as soon as the first annual dividend of the older company had been actually declared the Equitable inserted advertisements in the papers announcing that thereafter it would pay annual dividends to its policyholders.*

We quote again from President Hyde's reminiscences of this episode:

"At this juncture the cholera, of which we had heard rumblings along the horizon for a considerable period, began to show itself in our midst. Mr. Phillips, the Actuary, assured me that a vital error had been committed in agreeing to pay dividends annually. He went so far as to advise a public acknowledgment of our mistake by a retraction of our dividend announcement. After a careful review of the situation I came to the conclusion that the danger of retreat was greater than that of advance. I passed a summer of the greatest anxiety, but contrary to our fears the mortality among our policyholders was exceedingly light."§

RAPID PROGRESS AFTER THE WAR

The Civil War came to an end early in 1865, but tranquility was not restored at once, for President Lincoln

*The Society's first annual dividend was declared on February 1st, 1867.

§Later experience has proved that a company doing a large business need have little fear of epidemics, (1) because local epidemics do not materially affect the average experience of a company whose business is widely distributed; (2) because a majority of those who die from such plagues are not those who have the prudence or ability to insure, and (3) because those who do insure usually avoid contagion by running away.

was assassinated at Ford's Theatre in Washington on Good Friday, April 14th, 1865, and died a day later. The consternation which followed, producing excitement and apprehension in financial circles, seriously retarded the restoration of normal conditions. But notwithstanding these adverse circumstances the Society continued to prosper; making, indeed, greater advances than ever before.

When peace and tranquility were restored a thousand industries sprang into existence, and the Society was ready to take advantage of its opportunities. It had out-run fourteen of its older competitors in volume of business, and had left far behind every company younger than itself. The progress of life insurance in the United States had necessarily been seriously retarded during the war, and encroachments had been made upon the outstanding insurance of some of the older companies through the lapsing of policies issued to residents of Southern States; but recovery was prompt, and the advancement from year to year thereafter was rapid.

Two years later the Massachusetts Insurance Commissioner inserted the following table in his annual report:

INCREASE IN OUTSTANDING INSURANCE
OF ALL COMPANIES TRANSACTING BUSINESS
IN MASSACHUSETTS

Increase in 1860.....	\$18,580,402
Increase in 1861.....	1,616,357
Increase in 1862.....	46,348,275
Increase in 1863.....	60,439,328
Increase in 1864.....	122,844,700
Increase in 1865.....	180,828,972
Increase in 1866.....	308,467,053

Commenting on these figures, illustrating the increase in the business from year to year, the Commissioner said:

“Apart from the general arguments in favor of life insurance, several circumstances have combined to give to the system the rapid impulse and growth of the last few years. The Civil War costing thousands of valuable and productive lives and leaving desolate homes all over the land has made death and the danger of leaving domestic interests unprotected a present reality in every community. The close of the war has inspired new confidence in the strength and prominence of the National Government and in the stability of all those institutions which flourish only in the presence of established good order and commercial security. While the cost of commodities and the market values of stocks and investments have increased with a disordered currency the price of life insurance has remained the same. . . . A new energy has also been infused into the management of the companies.”

At about the same time the Superintendent of the New York Insurance Department gave the Equitable credit for “marking and distinguishing the commencement of the recent astonishing progress in the business of life insurance,” thus indicating that the Society had already had a good deal to do with this “new infusion of energy.” Shortly before this the Superintendent had said:

“All institutions having for their object the encouragement of saving by the masses are prompted by the dictates of humanity as well as approved by the science of political economy, and should be encouraged and sustained by all enlightened governments. No institution of this nature is more beneficial than a well regulated and reliable insurance company. The solidity and consolidation of society is increased and the State is strengthened by thus linking us more intimately and indissolubly with the present and succeeding generations. The political sagacity of a Pitt and the practical wisdom of a Franklin sanctioned the validity of this system

half a century ago, and the next half century is destined to witness in this Country a glorious development of the theory and practice of life insurance."

That this prophecy has been fulfilled the history of the Equitable clearly illustrates.

INCREASE IN RISK LIMIT

In December, 1866, the Society took the lead in raising the amount of insurance granted on a single life from \$10,000 to \$25,000.*

The Outstanding Insurance of the Society passed the \$100,000,000 mark in 1868; and at the close of that year it again took the lead by raising the limit on a single life from \$25,000 to \$50,000.‡

TENTH ANNIVERSARY

At a directors' meeting held on the Tenth Anniversary of the day on which the Society's first policy was issued, the President said to the Board:

"Ten years ago in one small room, also occupied by others, the President and Vice-President were laboring to lay the foundations of this institution on salaries purely nominal, but as much as the Society felt it could then afford. They devoted themselves assiduously to the work. Ten years have passed, and at the close of this first decade, the Assets of the Society will reach, if not exceed, the sum of \$10,000,000, a success for which no parallel is to be found in the history of insurance."†

*The Society's example was promptly followed by the other prominent companies.

‡In 1883 the limit was still further increased to \$100,000. The limit is now \$200,000. In cases where larger risks are accepted the excess over \$200,000 is reinsured in other companies.

†On December 31st, 1869, the Assets amounted to \$10,510,824.



**OLD BUILDINGS DEMOLISHED TO MAKE WAY FOR THE
EQUITABLE BUILDING**

CHAPTER V

WHEN TEN YEARS OLD

More than once President Morton has made the public announcement that those who are now responsible for the administration of the Society's affairs are not ambitious to make it the largest company, but are anxious that it shall be the safest and the best. When a company has reached the first rank volume of business becomes far less important than financial strength and successful and economical administration.

At the present time the companies that are transacting the largest volume of business are the "industrial" companies, the majority of whose policies are very small but whose transactions in the aggregate have become very large. Formerly, however, the companies whose annual transactions were the largest were those whose

business was done exclusively on the "ordinary" plan as distinguished from the "industrial" plan. And to illustrate the rapid growth of the Equitable during its earlier years, the following paragraph is quoted from a report describing the situation at the close of 1869, when the Society was ten years old:

"The Equitable was organized in 1859. In 1860, the official reports showed it to be the 9th company in point of new business for the year; in 1861 it was the 8th; in 1862 and 1863 the 7th; in 1864 and 1865 the 6th; in 1866 the 4th; in 1867 the 3rd; in 1868 the 2nd, and in 1869 the first."

To this report was appended a table giving statistics regarding fifty leading companies then transacting business in the United States, the Equitable heading the list with New Insurance for 1869 of \$51,021,141, and Cash Premium Receipts of \$5,769,294. The companies then standing second and third were both New York organizations; the fourth was a New England company, while the only Western company near the head of the list stood seventh.

The Society's Outstanding Insurance at the end of the year amounted to \$134,223,861.

THE EQUITABLE BUILDING

The business of the Society increased so rapidly that it outgrew its second office at No. 92 Broadway in a very few years. Additional space was obtained by leasing portions of Nos. 94 and 96 Broadway, but the new accommodations soon proved inadequate, and on December 16, 1865, when the Society was less than six years old, at a special meeting of the Board, a committee was appointed to consider the expediency of putting up a building. This committee recommended the immediate purchase of a site, and the early erection of a building.



THE ORIGINAL EQUITABLE BUILDING

At a meeting held to commemorate the Society's Twenty-fifth Birthday the President commented on this action as follows:

"That with assets of a million and a half at the time, and an income of only \$971,000, the Board should have taken the responsibility of recommending the erection of a large building for the Society's offices, shows their faith in the future progress and growth of the Society. And the step was a wise one, for we were rapidly outgrowing the accommodations at our command, and on two occasions our office had barely escaped destruction by fire, some of our valuable papers, books, and documents having been injured and some having been lost."

It was not until September 16th, 1867, however, that the purchase of all the land for the original Equitable Building was consummated.

At the Annual Meeting of the Board held on January 15th, 1868, authority was given for the construction of the building in accordance with the plans of Messrs. Gilman and Kendall, with Geo. B. Post as consulting architect in matters of construction.

The original building, which occupied the southeast corner of Broadway and Cedar Street, was completed and thrown open on May 1st, 1870. From time to time thereafter it was enlarged, and the whole structure was completely remodeled and its height increased by several stories, in 1887, under the direction of the distinguished architect Geo. B. Post.

The entire block is now owned by the Society, and is considered the most valuable plot of real-estate, controlled by a single owner, in the City of New York.

In 1870 passenger elevators were used in a few hotels and large stores; but the Equitable Building was the first office building to introduce them. Real-estate men sneered at the innovation. They asserted that men engaged in important business enterprises—the men willing



LOWER NEW YORK BEFORE THE EQUITABLE BUILDING WAS ERECTED

to pay high rents—had never gone above the second floor and could never be persuaded to do so; that even lawyers would refuse to ask their clients to go higher, and that the experiment would prove a humiliating failure. Even the directors of the Society were reluctant to have the experiment tried, and in the beginning stipulated that only two elevators should be put in. But eight were finally installed, and the upper floors of the building were quickly rented to prominent law firms and corporations. Thereupon the office buildings of New York began to grow higher, and in buildings old and new elevators were quickly installed. A revolution in the construction of office buildings followed, due altogether to the example set by the Society. The Equitable Building, therefore, may very properly be described as the parent of the modern “skyscraper,” notwithstanding the fact that it is no longer regarded as a high building, being in fact almost hidden by the lofty modern structures that hem it in on every side.* But for years it was the highest and most conspicuous building in the City. It was one of the sights of the town, and crowds of people went up in its elevators to the tower on the roof, from which there was then an uninterrupted view of the whole City and the surrounding country.

The Equitable Building was erected long before modern steel construction had been introduced, and was conspicuous for its massive walls and broad foundations. Hence it served as an object lesson—the stability of the structure seeming to typify the future strength and magnitude of the Society. The building was, consequently, as valuable as an advertisement for the young company as it was useful in furnishing commodious offices for the transaction of its business. And it seems unfortunate that the time must soon come when it must either be remodeled or rebuilt. But the ground on which it

*See illustration on page 55.

stands, covering a full acre of land close to the money center, is very valuable, and is capable of producing so large an income if thoroughly developed that the Society or some future owner will be forced to replace it with a modern structure of appropriate height, wherein every inch of space may be wisely economized.

OTHER BUILDINGS

In addition to the Equitable Building on Broadway the Society owns another building in New York, which is occupied by a large part of its working force, and is also used for filing cabinets, card-indexes and the storage of its books and vouchers. The Society also owns office buildings in Boston and St. Louis.*

FOREIGN BUILDINGS

Handsome office buildings have been erected by the Society in Berlin, Vienna, Madrid, Sidney and Melbourne, and it owns the buildings containing its offices in the City of Mexico, Santiago (Chile) and Paris. The Paris office is in a building fronting on the Avenue de l'Opera.

For a number of years the Society has owned another plot—one of the most valuable corners in Paris—on the Place de l'Opera, the Boulevard des Capucines, and the Rue de la Paix. A modern building is now being erected on this site, in order that the largest attainable income may be secured from the investment.

FOREIGN AGENCIES

In 1867 the Society established an agency in Havana. This was its first agency outside the United States. During the following year Canada was entered; in 1869 an

*The income from the latter investment becoming inadequate, the Society leased it to responsible parties for ninety-nine years, at a rental which will yield an income of \$50,000 per annum—a satisfactory return. The lessees, moreover, have agreed to make improvements which will enhance the value of the property and the security of the transaction.



THE EQUITABLE BUILDING

agency was established in London, and in 1870 in Paris. The business was extended to Germany and several other Continental countries in 1871, Spain was entered at about the same time, although a formal "concession" was not issued by the Government until 1882.

The foreign business of the Society, aside from its Canadian agencies, is now confined to the British Islands, France, Belgium, Holland, Russia, Spain, Italy, South Africa, Mexico, Cuba, and certain other central points in Europe, in the Far East, in the West Indies, and in South America.

"THE KEYSTONE OF THE ARCH"

In December, 1870, a New York company was placed in the hands of a receiver by the Insurance Department. It was a small organization only five years old, but it was the first failure in the State.

In January, 1871, another small company that had been in operation for less than a year and a half gave evidences of mismanagement. The Insurance Department promptly instituted an examination which revealed the



OFFICE IN SANTIAGO, CHILE

fact that although it had started with a full paid-up capital of \$125,000, it had spent within its brief career more than \$68,000 for advertising, printing and stationery alone; and that the assets remaining were scarcely sufficient to reinsure its risks, leaving a large amount of miscellaneous obligations unprovided for. That company was also placed in the hands of a receiver and its insurance was transferred to another New York company.

These failures are referred to, in passing, chiefly because they illustrate the fact that in life insurance as in all other enterprises, "management is the keystone of the arch,"* and incidentally to illustrate the advantage which the Society enjoyed in having become firmly established during the conservative and economical period antedating the Civil War.

In this connection, the President, in one of his reports, said:

"What have these new companies not had to contend with! Salaries have increased in equal pace with the expense of living. Even moderate talent, unacquainted with this particular business, has commanded a higher price than that paid to experts before the war. In fine, every disbursement necessary to the starting and carrying on of new projects has more than doubled."

*See page 58.

CHAPTER VI

THE FIRST PANIC

The year 1873 was marked by one of the severest financial panics ever experienced in this Country.

It resulted from over-expansion, wasteful living, and an inflated currency. The failure of Jay Cooke, promoter of the Northern Pacific R. R. was followed by many disasters. The New York Stock Exchange was closed for ten days, and the whole country suffered. Severe depression resulted, and continued for several years. In 1881 the crops were poor, and in 1882 the crisis in France had a disturbing influence. The United States successfully resisted these adverse influences until 1884, when, as we shall see later on, the Society was called upon to weather a second financial tornado.

But to return to the Panic of 1873: There were many failures in quick succession among banks and business firms, and so widespread were the losses that confidence almost ceased to exist. Hardly any of the great financial institutions were thought to be certainly safe. But the strength of well-established and soundly conducted life insurance companies became clearly manifest. The strain upon other financial institutions brought into strong relief the special advantages enjoyed by life insurance companies during such periods of excitement and disaster. Not one of the well-established companies was even embarrassed. The market value of their assets declined, but as they were in receipt of cash incomes in excess of their disbursements it was not necessary for them to sacrifice any of their investments.

A ship is known to be seaworthy only after it has proved its ability to weather the storm; and those who have entrusted their savings to the Equitable may gain more confidence and satisfaction by noting the behavior of the Society during such periods of stress and strain, than, perhaps, in any other way.



THE EQUITABLE BUILDING SURROUNDED BY SKY SCRAPERS

0.04

1000 1000 1000

For several years after this panic the insurance companies suffered. Many policies were surrendered and only a limited amount of new business was secured. The Outstanding Insurance of the various companies showed in the aggregate a falling off, but there was no diminution in their financial strength. Some companies that had never attained a safe footing and had not been prudently managed disappeared; but it is not probable that the panic had much to do with these failures except possibly to accelerate them. The Society, however, continued to advance, but its progress was somewhat retarded.

Only once in its history has the Equitable Society been a borrower. That was during the panic of 1873. Several large loans were negotiated with the New York branches of certain foreign banking institutions, the Society giving as collateral security United States Government Bonds. But this money was not borrowed to protect the Society. It was obtained to aid in relieving the financial strain, by anticipating the payment of death claims and endowments, and by making bond and mortgage loans on favorable terms to its customers.

The following extracts are from the President's Report submitted to the directors on October 22d, 1873:

"The recent financial convulsion, while not without its temporary embarrassment to us as to all others, has served to demonstrate the security of a properly managed life insurance society as a depository for savings both for the rich and for the poor.

"The directors of the Equitable may justly feel satisfaction that in the midst of one of the most trying emergencies which has ever threatened the stability of American commerce and industry, our Society stands as a solid rock in the midst of an angry sea, the bulwark and support of those who cling to it."

It was not long after this that the Hon. O. W. Chapman, then Superintendent of the New York Insurance

Department, said, in reference to the administration of life insurance companies :

“No matter how the subject be approached, that word management is the keystone of the arch; not simply in the matter of investment, the selection of agents and medical examiners, or in office requirements, but in everything pertaining to the company’s whole administration.”

FIFTEENTH ANNIVERSARY

The President in a report submitted to the Board on July 23rd, 1874, said :

“For fifteen years the Society has advanced steadily. So regular has been our progress and so uniform our success that those who have not known of anxious watching and of unremitting toil may have attributed most of our good fortune to some happy accident. But you who know the care with which every point has been weighed and every step has been taken may justly feel proud in looking upon the Equitable as it stands to-day, a monument of steady labor and well directed energy. We began with a subscribed capital of \$100,000. Our statement now shows, in addition to this capital, \$25,000,000 of cash assets.”

DEATH OF THE FIRST PRESIDENT

William C. Alexander, the first President of the Society, died on August 23rd, 1874.

In speaking of him subsequently Mr. Hyde said :

“It was a most fortunate thing that Mr. William C. Alexander was chosen the first president of the Society; and although he never pretended to assume its active business management, still by his great influence and extended acquaintance throughout the country the interests of the Society were forwarded in various ways to an extent which would not have been possible under any other circumstances.

“I know of but two persons who united with me in the belief that our enterprise would certainly be a perma-



H. B. Kypde.



ment success. My father, Mr. Henry H. Hyde, was enthusiastic from the beginning, being the one most familiar with my project; but his confidence was due in part to parental affection and was not wholly founded upon impartial judgment. The other, who never faltered for an instant and over whose mind no shadow ever rested, was the first president of the Society, who, captivated by the brilliancy of our aims, was unshaken in the belief that our fondest hopes would in the end be realized. My great incentive at that time, which influenced me to work day and night, was to sustain their opinion and justify them in their belief."

H. B. HYDE ELECTED PRESIDENT

At a special meeting of the Board held on September 2nd, Henry B. Hyde was elected president, and James W. Alexander, vice-president.

VICE-PRESIDENT ALEXANDER

James W. Alexander, grandson of Professor Archibald Alexander of Princeton, and a nephew of the first president, was born at Princeton in 1839. He was graduated from Princeton College in 1860, and subsequently became a Trustee of the university. He was admitted to the bar in the early sixties, becoming a member of a prominent New York firm with a large practice. In 1866 he was induced by Mr. Hyde to abandon the practice of his profession and accept the position of secretary of the Equitable Society. He was elected to that office by the Board on August 13th of that year, when the Equitable was only seven years old.

Eighteen years later, when the Society was twenty-five years old, Mr. Hyde said:

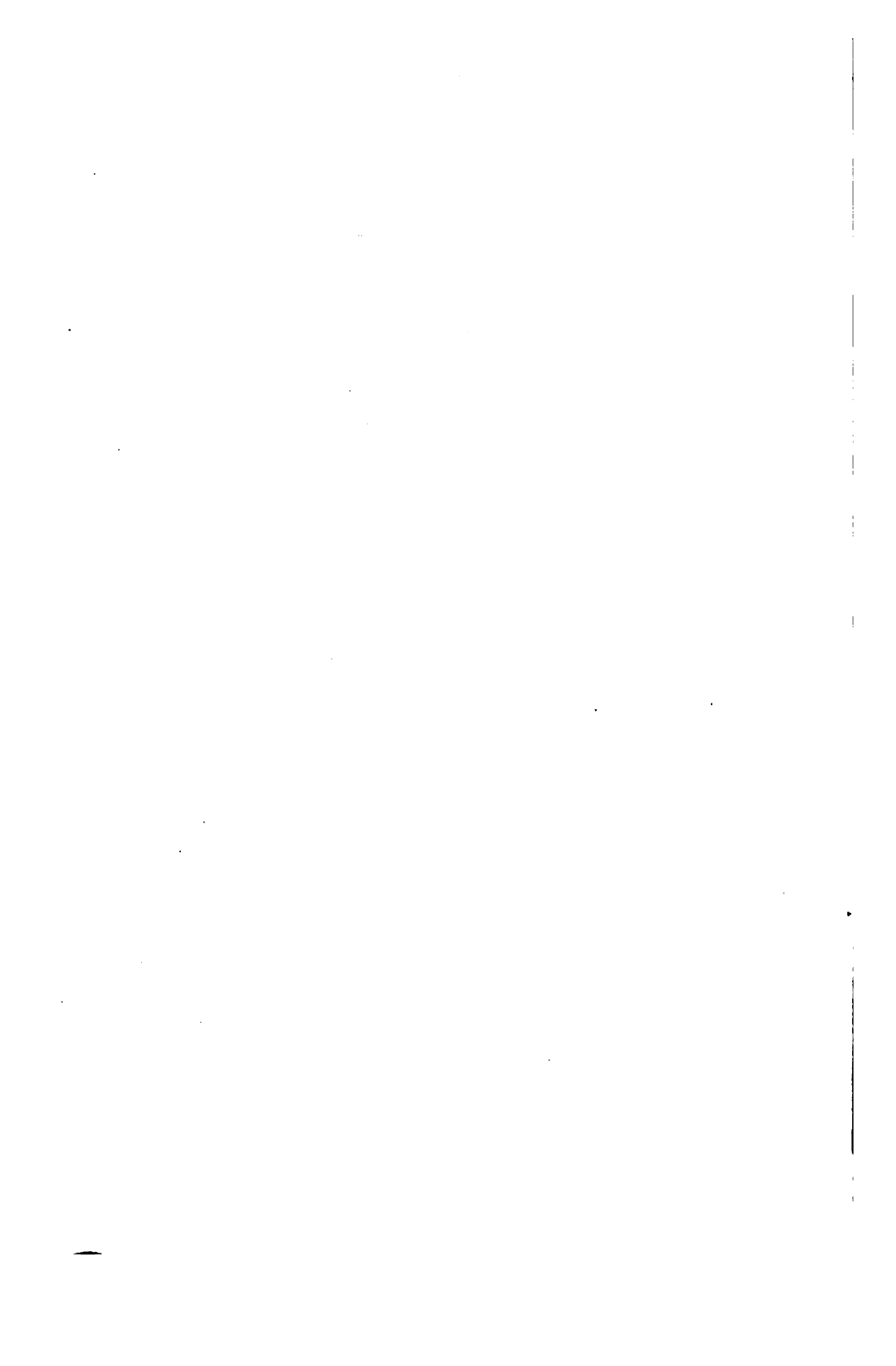
"I believe Mr. Alexander to be as well qualified as I am to take charge of the executive duties of the Society. He understands the insurance business as well as any man living."

Both Mr. Hyde and Mr. Alexander were eminently popular with the men in the field. Mr. Hyde was recognized as a masterful leader, and inspired the utmost confidence and enthusiasm. The agents were always ready to follow wherever he saw fit to lead. They admired his daring, and knew that the Society's great reforms would never have been introduced but for his nerve and enterprise. When the company was young he was always accessible to every visitor, and when it became necessary to erect some barriers between the chief executive and the public, the agents knew that he would always give them an immediate hearing, and if necessary put on his hat and go out with them into the field to help them in their work.

Their loyalty to Mr. Alexander was due chiefly to their confidence in his wisdom and justice, and their appreciation of his consideration and never failing sympathy. Long before his election to the vice-presidency he had earned a high reputation among insurance men, and was recognized as an authority in all questions relating to the principles and practice of life insurance. His characteristics were in strong contrast with those of Mr. Hyde, whose energy and zeal sometimes got him into hot water with those who obstructed measures taken for the advancement of the Society's interests. And for many years, during which they were associated together, Mr. Alexander's patience and unfailing courtesy were of great value in making the rough places smooth. At a later date, when elected to the presidency, he informed the field forces that the hardest duty he ever had to perform was to decline to grant the favors asked by agents; and he assured them that no request made in good faith would ever be refused by him except from a stern sense of duty. The sincerity of this assertion was instantly recognized. Consequently whenever he was forced to render an adverse decision his ruling was ac-



James W. Alexander



cepted in good part. Chesterfield once said of Marlborough that he could decline a request with more grace than most men would have shown in granting it, and a similar remark has often been made regarding Mr. Alexander.

Thus the president and vice-president, so unlike in personal characteristics, complemented each other, and worked harmoniously together. And to these two leaders is due the credit of making the Equitable familiar throughout insurance circles as "The Agents' Company."

While still Vice-President the whole burden of the management of the Society fell upon Mr. Alexander's shoulders more than once when President Hyde's health gave way. On one of these occasions he served as acting-president for nearly a year while Mr. Hyde was on a tour round the world.

ADVANCE AFTER THE PANIC

The effect of the panic of 1873 did not wear off for several years, but at length the general business outlook began to improve and the Society, which had made substantial gains in spite of heavy weather, began to advance rapidly under the vigorous management of President Hyde. In illustration of this, the following paragraphs from his Report to the Board, of April 26th, 1876, are quoted:

"One has only to examine with care the extent of the operations of the Society in the past while in its formative period, and then with the eye of fancy to look from these into the future to bring before the mind's eye a view of benefits conferred upon the public almost too vast to be comprehended, and an influence exerted throughout the World which can scarcely be estimated. . . . It is my deliberate conviction, after making all allowance for the hard times we are likely to en-

counter before another seventeen years shall have rolled round, that our Assets will be over \$100,000,000 and our Surplus will, I hope, exceed \$10,000,000."

This prediction, which was deliberately based on ultra conservative estimates, was much more than fulfilled; for seventeen years from that date the Society's Assets were upwards of \$150,000,000, and the Surplus was more than three times the sum predicted.

EXTRACTS FROM SUBSEQUENT REPORTS

"That which a community demands, and must have in life insurance is first of all absolute security, and if a company is not conducted in such a manner as to give greater security for money invested in it than is given in ordinary ways it is but a delusion and a snare to the public.

"It should be conducted so as to afford greater protection to its patrons than can be afforded in any other financial institution.

"The chief danger to a life insurance company exists during the first ten or fifteen years. If it can survive this period with a large business and an ample surplus, which taken together are evidences of good management, it can if conducted with skill and honesty experience little danger in carrying out its contracts."

"The foundation of this company being secure, we shall build with care and of the best material, not doubting that the edifice when crowned will sustain all the hopes that its friends have entertained for it."



EQUITABLE BUILDING, BOSTON

CHAPTER VII

WHEN TWENTY YEARS OLD

In 1879 the Society reached its twentieth year, and at the July Meeting of the Board the President said :

“In taking a retrospect of the last twenty years I find that thirty-six life insurance companies besides the Equitable were organized in the State of New York between 1859 and 1879. Twenty-eight of these thirty-six companies have gone out of existence from various causes, and there now remain only eight besides the Equitable. On the 1st of January 1879 the Assets of these eight companies combined was \$22,853,000, while the Assets of the Equitable, which was organized within the same period, were \$34,217,730, being 40% more than the combined Assets of the eight companies referred to.”

At the close of that year the 20th Annual Statement showed Assets of \$37,366,842, a Surplus of \$5,550,395, an Income of \$8,347,081 and Outstanding Insurance of \$162,357,715.

But how can this prosperity of the Equitable, in such strong contrast with the adversity of some of its competitors, be explained? Many reasons could be given. One is that the Society was creative—sought to adapt life insurance to the needs of the people—was not afraid of innovation—was ready to take the initiative—was a leader in reform. The following examples illustrate this fact. But before citing them a few words of explanation may not be amiss.

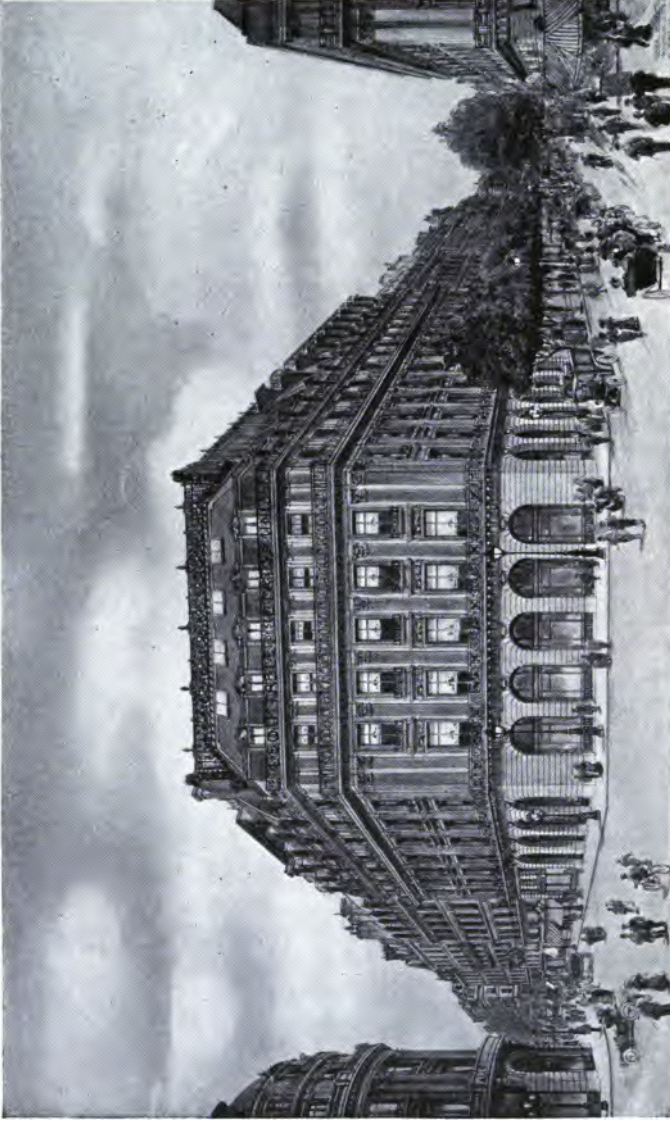
Life insurance owes its early development to Great Britain. The first company to charge premium rates graded according to age, and based on a mortality table, was the “Old Equitable” of London. Prior to that time life insurance had been offered by individuals and corporations on a very haphazard and unscientific basis, and very little benefit had resulted to the general public. But

the "Old Equitable" set an example which was quickly followed. Many companies were organized in England, and the business extended rapidly; but on the Continent little encouragement was given to life insurance and the few companies that were organized advanced slowly, while in the United States little business was transacted either by American or foreign companies until a third of the 19th century had elapsed. But, as we have seen, when the Equitable was launched in 1859 it came into competition with a number of companies that had already become firmly established. These had all been patterned after the English companies, and had slavishly followed all their customs, originating nothing and taking no action suggesting American enterprise or "Yankee ingenuity."

For a time the Equitable followed in the footsteps of these older companies. But its officers and directors had aims which were soon to bear fruit, as the following official utterance of the President, made when the Society was five years old, clearly indicates.

"In inaugurating the business of this Society; in entering upon a new and untried field of enterprise, we followed for a time in the beaten track of those who had preceded us. Forms, customs, principles, habits, were all borrowed. But guided by the experience of the past, and judging so far as we might of the probable future by a calm and anxious survey of the field before us, we have from time to time deviated from the old track and struck out new paths, our course at times proving startling to those who clung with obduracy to old habits, forms, and opinions. . . . But to remain stationary; to adhere blindly to old dogmas, except when founded on the certainty of mathematical science, would be as irrational as to require the full grown man to wear the habiliments in which he had been clad in infancy."

This statement was in part prophetic, for the Society's greatest reforms, which subsequently revolutionized the



NEW PARIS BUILDING

business in many important particulars, had none of them been announced at that time.

FIRST REFORM—A SIMPLIFIED POLICY

The policy-contract offered by the Equitable in the beginning was neither more liberal nor less liberal than that offered by its older competitors. In the Society's first contract it is stipulated that if any representations contained in the application "forming the basis of the contract" shall be found in any respect untrue, the company "shall cease to be liable for the payment of the sum insured or any part thereof, and the policy shall cease, and all payments made thereon shall be forfeited to the company."

No grace was then allowed in the payment of premiums, and, in the event of death, the insurance was not to fall due "until sixty days after a fully authenticated claim had been filed with the company." Moreover, the policy was to be "null, void and of no effect" if the Insured, without consent, passed beyond the settled limits of the United States or Canada, or visited those parts of the United States lying West of the 100th degree of West Longitude, or (during the summer months) those parts lying South of the southern boundaries of Virginia and Kentucky. No voyages "on the high seas" could be taken without written sanction; a long list of employments were prohibited, and the policy was to be forfeited "if the insured should die by his own hand, or by the hands of justice, or in, or in consequence of, a duel, or of the violation of any law."

If the policy was not longer than a modern contract it was because it contained none of the special benefits and "options" which the insuring public now demand as a matter of course. No surrender values were allowed; annual dividends were unknown, and only one mode of settlement at maturity was provided for.

As time passed, the insurance contracts of the various companies were liberalized in some directions, but in many respects they became more complicated and more exacting in their terms. After a company had met defeat in the courts its lawyers were very likely to suggest the insertion of a new clause in the policy to protect the company subsequently. Thus insurance contracts became long, obscure, and technical legal instruments. Another evil followed: Some of the companies adopted the practice of employing "adjusters" who were paid a percentage of the money saved. This resulted in contests or compromises in many cases where full payment ought to have been made.

These tendencies did not influence the practice of the Equitable. The Society made it a rule from the beginning to pay every reasonable claim promptly and in full, and from time to time simplified and liberalized the policy-contract. But this, the Society's first great reform, did not culminate until the lessons taught by the famous "Dwight Case" had convinced the officers that more definite action was needed.

In the year 1878 Col. Walton Dwight, a resident of Binghamton, New York, insured his life in a number of companies, including the Equitable. Shortly thereafter his death was announced. The Equitable, whose claim was for \$50,000 (a very large risk in those days) and one other company, paid their policies promptly and in full. Nineteen other companies refused to pay. A suit was brought by the widow against one of them, and the case was decided in her favor. An appeal was taken, and the decision of the lower court was reversed. After that, some of the companies paid, others compromised their claims, the rest continued the contest, and the case was in the courts for a number of years.

The effect produced on the public mind by this and other cases convinced the officers of the Equitable that,



BERLIN BUILDING

notwithstanding the Society's liberality and promptness, its reputation would suffer for the sins of others if definite action should be further delayed; so on June 27th, 1879, the Society announced that thereafter all policies, old as well as new, would become *incontestable* three years from their date of issue.

This action was bitterly opposed by the other companies for a time, but they were soon constrained to follow the Equitable's example, and to-day this practice inaugurated and introduced voluntarily by the Equitable and adopted reluctantly by its competitors, has been embodied in the insurance laws of the various States, and must be followed by all companies.

The principle involved in making a contract incontestable was not altogether new, but the Equitable was the first life insurance company in the United States to frame its contracts so as to make them genuinely incontestable after three years. It was also the first company to reduce the period to two years, and took the lead in still further reducing it to one year.*

All Equitable policies now became incontestable one year from their date of issue. And here the Society rests. To make a policy incontestable from the start would invite fraud, and would give the company no opportunity to correct errors. The experiment has been tried by more than one company only to be abandoned.

It is proper to note here that whenever a death occurs before a policy has completed its first year the Society pays the claim as promptly as would be the case if the contract had become incontestable, provided no attempt has been made to defraud the company. The right to delay payment is only exercised in cases where some irregularity is manifest.

*The period was reduced to two years in 1886 and to one year in 1892.



BUILDING IN VIENNA

SECOND REFORM—AN IMPROVED POLICY

The Society's second important reform was announced before the first had reached the culminating point described above.

Near the close of the year 1868 the Society announced a new policy. This policy was a "deferred-dividend" contract, and embodied several altogether novel features; but the deferring of dividends attracted so much notice that the new characteristics received very little attention. And even now, the significance of the action then taken by the Society is not fully recognized by the public at large.

This policy provided, in the first place, that the surplus earned should be accumulated for a term of years and then divided. But there was nothing novel in that: the new characteristics were the following:

1. It was agreed that in each case the dividend, when paid, should not be for an arbitrary amount, but should be the policy's *full share* of the surplus earned. So liberal a guarantee had never before been made.

2. It was agreed that when this dividend fell due, the Insured might terminate the policy and withdraw the entire "reserve," as well as his share of the surplus. And this was not confined to endowment contracts but was extended to "ordinary life" policies. Thus the owner was enabled to withdraw his entire equity in the company during his lifetime and terminate his relations with it, without penalty or sacrifice. This was an unheard of innovation. The companies had begun by that time to grant surrender values, but under no circumstances had more than a part of the reserve been offered, either in cash or in paid-up insurance, under "ordinary life" policies thus terminated.

3. It was agreed that at the period of distribution the policyholder should be given the choice of a variety of "options"; such as the continuance of the original policy,



SYDNEY BUILDING

or the conversion of the policy into paid-up insurance, or the substitution of a life annuity for the policy, or the termination of the contract and the withdrawal of its value in cash.*

These innovations were violently attacked by the competitors of the Society; but, one by one, the prominent companies followed its example. And it is an undoubted fact that the elasticity and adaptability thus given to insurance contracts have had much to do with the rapid development of life insurance throughout the United States since then.

It may not be uninteresting at this point to quote a few of the reasons given at that time for the introduction of this new policy.

“Three criticisms have frequently been made regarding life insurance as commonly practiced:

“1. Heavy profits are realized by the estates of those policyholders who die early while the long-lived pay more and receive less in proportion to their payments.

“2. An insurance policy upon the “ordinary life” plan (which is the cheapest and therefore the only available form for the masses) cannot be terminated without sacrifice until after the death of the Insured.

“3. Many persons, for trivial causes cease to pay their premiums; thus injuring the company, their fellow members and their families.

“To remove even the slightest ground for such objections, the Equitable Life Assurance Society has introduced a new policy which offers as a reward for persistency, a dividend which those who die or abandon their insurance prematurely fail to obtain.

“This policy, even when taken on the cheapest form (providing for the payment of premiums for life) gives the Insured, at the end of a term of years, the choice of (a) con-

*This policy has been modified from time to time. All the features referred to above were not included in the original form.



MELBOURNE BUILDING

tinuing the insurance, or (b) retiring on advantageous terms, or (c) converting the insurance into an annuity."

Deferred-dividend policies are no longer issued, but multitudes of such policies, issued in the past by the prominent companies, are still in force and are gradually maturing. No better policies exist, and they increase in value as they grow older.

The practice of deferring the payment of dividends has recently been criticised in certain quarters, but these criticisms have been due largely to misapprehension.

It is true that dividends have been less than were expected in the beginning, and certain critics have jumped to the conclusion that this has been due to mismanagement. As a matter of fact, the decline has been due to natural causes outside of, and altogether beyond the control of, the companies; such as the enormous increase in taxes (which necessarily reduce the surplus or dividend-fund), the reduction in interest on investments, and the introduction into modern policy-contracts of privileges and benefits which cost money to grant but for which the companies have made no charge. Notwithstanding this the returns have been favorable, although less favorable than was hoped when the expectations for the future were based on the large profits realized in the early days. By misinterpreting these facts a certain class of agents have sought to profit by the credulity of the holders of deferred-dividend policies. But when the owners have been induced to give up old contracts of this character to take new policies of some other kind, they have as a rule sacrificed their best interests and sustained unnecessary losses. It is axiomatic that all insurance on the "life" or "endowment" form, issued by any responsible company (without regard to the manner in which dividends are paid) increases in value as it grows older, and cannot be exchanged for new insurance without loss on the one hand and increased cost on

the other. Hence the older a policy grows the more tenaciously should the owner hold fast to it if it is in a responsible company.

While it is true that there have been differences of opinion regarding the deferring of dividends, there is but one opinion about the value of the guarantees and "options," which first gave flexibility and adaptability to insurance contracts; and which were originally introduced by the Society into these deferred dividend-policies.

THIRD REFORM—IMMEDIATE PAYMENT

The Society's third great reform was announced on January 1st, 1881, and created a greater sensation than those which had preceded it.

It was the offer to pay every incontestable policy *immediately* upon receipt of due proof of the death of the Insured. Shortly thereafter this offer was extended to *all* policies—whether incontestable or not. Since then the Society has paid all death claims practically *on demand*: that is to say as soon as adequate claim papers are received the Society's check is drawn and delivered or forwarded to the beneficiary.

The novelty of this innovation was startling. Nothing of the kind had before been dreamed of.

At first the reform was criticised. Those who were ignorant of the years of preparation, and the adaptation of means to the desired end, regarded the Society's course as reckless; and competing companies looked askance at the reform, or attacked it. But, as in the case of previous innovations, opposition was soon broken down. The companies, one by one, were forced to follow the Equitable's example; and to-day it is the general practice of all companies to pay their claims promptly. But no other company is able to exhibit a record such as that of the Equitable, whose claims are paid almost like sight-

drafts. There are occasional delays, but only in cases where some irregularity appears, or where claimants are themselves careless or dilatory.

During the last five years the Society's record has, on the average, been as follows: Out of every 100 death claims paid in the United States and Canada 97 have been paid within *one day* after the receipt of adequate "proofs of death." The following table gives the record in percentages for each year separately:

1904.....	96%
1905.....	98%
1906.....	97%
1907.....	97%
1908.....	97%

To those who are only familiar with present methods the full force of this revolutionary movement will not be apparent. Its full significance is only seen when the prompt service now rendered by insurance companies in general is contrasted with the evils and irritating delays of former years.

One of the strongest arguments in favor of life insurance has always been that a policy is designed to furnish *ready money* upon the death of the breadwinner, for the protection of the estate and the support of the family. But in old times this was an advantage in theory only. In England, several months—often a full year—elapsed before a claim was paid. When the Equitable came upon the field some improvement had been made. Some of the policies of the American companies contained by that time a clause under which claims were to be paid two months after all the papers in the case had been filed and "accepted." But "acceptance" was often long delayed. No effort was made by the companies to pay promptly, and some of them saved a great deal in interest on money thus withheld.

If it be true that, "He pays twice who pays quickly," then the Equitable has paid to its beneficiaries *double* the sum represented by the figures measuring its disbursements. And when we remember that it is *ready money* that enables the executor to protect the assets of an estate; and that it is immediately after the death of the husband and father that the widow and her orphan children need money for pressing wants, it will be seen that this Equitable reform was one of the greatest practical blessings ever applied to the practice of life insurance.

The development of life insurance owes more, perhaps, to these three reforms than to all other improvements put together. They were introduced voluntarily by the Society, and adopted slowly and reluctantly by its competitors. But (excepting the deferring of dividends) all have now been incorporated, and made mandatory, in the insurance laws of this and other States. And they have been dwelt upon here because they illustrate the character of the Equitable, and indicate that it deserves the public confidence which it has won by these and other innovations, introduced for the protection and benefit of its members.

FROM 1880 TO 1884

During this period of evolution the older and stronger companies continued to prosper, while the companies that had not succeeded in establishing themselves on a firm foundation continued to disappear. Commenting on this, the President said to the Board on the 28th of January, 1880:

"We may now hope that the business of life insurance has settled down into its natural channel and that the speculative era through which we have passed, and in which a swarm of life insurance companies were organized, will not be repeated; as the establishment of a life insurance company on a successful basis must now be regarded by our capitalists as a most perilous undertaking. This business is preeminently

one requiring expert talent, and the failures that have taken place in it may be attributed chiefly to the fact that the managers although in many cases men of good business experience had little or no experience in this department."

President Garfield was assassinated on July 2nd, 1881, but as it was believed at first that he would recover, and as death did not intervene until two months later, the panic which threatened was averted.

The Society prospered greatly during the early Eighties, and the other companies benefited by the improvements in the practice of life insurance introduced by the Society; but as the Equitable had taken the lead it secured the chief advantage.

The next two years were prosperous, but 1884 was characterized by great financial depression. It was a year of strikes and many failures. Notwithstanding this the life insurance companies continued to advance.



OFFICE IN THE CITY OF MEXICO

CHAPTER VIII

SECOND QUARTER CENTURY

During the year 1884 the Society celebrated its 25th Birthday; and at the July Meeting of the Board the President read a long and interesting report from which we quote the following:

“ . . . The Society has passed the period of childhood and youth and the dangers incident thereto, and now may be considered as full grown and equipped for the proper discharge of the duties for which it was created. . . . There are some here to-day who will undoubtedly survive the next twenty-five years, and meet to read the history of the first half century of the Equitable. Let us hope that the results of the twenty-five years upon which we have just entered will be as satisfactory as those presented to you now, and that the officers and directors then in charge of the institution will be men wisely chosen whose fidelity and skill will be commensurate with the great trust committed to their care.”

The manner in which this hope has been realized the concluding chapters of this history will show.

The following items from the 25th Annual Statement show the Society's position on December 31, 1884: Assets \$58,161,926, Surplus \$10,483,617, Income \$15,003-480, Outstanding Insurance \$309,409,171.

A SECOND PANIC

The second severe panic encountered by the Society culminated during this anniversary year. It was precipitated by the failure of Grant and Ward, followed by that of A. S. Hatch, president of the Stock Exchange, and that of many other bankers and brokers. The Marine Bank and the Metropolitan Bank closed their doors, and many other financial institutions were ruined or seriously crippled. But, “It's an ill wind that blows nobody any good,” and the Society made a number of good investments at very low figures, one of them of extraordinary

value. This was the building owned and occupied by the Metropolitan Bank, on the corner of Broadway and Pine Street adjoining the Equitable's property; for the intervening lots had been acquired, and the enlargement of the Equitable Building was already projected.*

During that trying period the Society met the difficulties that confronted it with the same efficiency that had characterized its management during the panic of 1873; and while market values were rapidly tumbling, the fact that the insurance offered by strong life insurance companies is always unshrinkable—worth at such times, as at all others, 100 cents on the dollar—was made clearly manifest.

The depression which followed the panic of 1884 reached its lowest point in 1886.

On May 1st, 1887, the Society took possession of the new rooms added to its offices in the enlarged building, which was completed during the following year.

During this period the Society made remarkable progress, but we can touch only upon incidents of importance, in order that the Society as it stands to-day may be fittingly depicted.

WHEN THIRTY YEARS OLD

The Society's Thirtieth Anniversary occurred in 1889, and in September of that year the President said to the directors:

"Thirty years ago we had upwards of 600 *thousand* dollars of insurance in force; to-day we have upwards of 600 *millions*.

*In this connection President Hyde made the following prediction:
"The opportunity of purchasing the Metropolitan Bank Building at a reasonable price was one not to be lost; for such an opportunity only presented itself in consequence of an unexpected and unforeseen combination of circumstances. The wisdom and full importance of this action can only be thoroughly appreciated by looking into the future, and contemplating the further growth of the Society, and the continuing extension of its business."

“Thirty years ago we held upwards of 100 *thousand* dollars of Assets; to-day we hold upwards of 100 *millions*.

“Then we had little or no surplus; now we have between 20 and 25 millions. Then not one of our policies had matured and not a single death claim had been paid; now we can point to many thousands of beneficiaries who have been relieved from want.”

Later in the year he said:

“The Equitable has succeeded not because it has been so guarded and restricted from without that it has been forced to deal fairly with its patrons, but because it has sought to give the utmost security, to confer the largest benefits, and to sweep aside every cumbersome restriction. It is, therefore, known as the originator of every important improvement in the business.”

And in commenting on the results achieved he said to the agents:

“In thus extending the beneficent influence of life insurance the agents of this Society have been eminently efficient and successful. But this is far from being all the good accomplished by the Equitable, for the influence of its example and the success attained through the reforms introduced by it have stimulated other companies, and imitation of the plans and methods of the Equitable have been found by them to be an essential condition to success. Thus to the results achieved by the Equitable directly is to be added the influence which it has exerted indirectly upon life insurance at home and abroad.”

THE DEPRESSION OF 1890 AND THE PANIC OF 1893

Another period of financial disturbance was encountered in 1890. The stringency in the money market became so alarming that the Government was forced to purchase bonds and to anticipate the payment of interest in order to furnish relief. Late in the year the report that a great English banking house was in financial diffi-

culties created alarm on both sides of the Atlantic and resulted in serious financial disturbances and heavy business depression which lasted during the two following years and culminated in the memorable panic of 1893. During this panic the Reading Railroad was seriously embarrassed; the Cordage Trust collapsed; thirteen Stock Exchange houses failed, and there were fifteen thousand commercial failures.

Times were hard, but nevertheless the Equitable continued to advance, showing a steady increase in business and financial strength. This is illustrated by the following extract:

“The Society presents as the result of its transactions for 1893 advancement in every point affecting growth and material prosperity, and this during a period of commercial depression more severe than has been experienced within this generation—a period of such general stagnation of business and shrinkage in the valuations of all securities that only those pursuing the most conservative methods have passed through it unscathed.”

As soon as the influence of the Panic of 1893 had worn off, a long period of financial prosperity ensued, and the Society's growth in magnitude and strength was continuous.

WHEN FORTY YEARS OLD

In 1899 the Society completed its fortieth year, and celebrated the anniversary in July by holding a convention which was attended by five hundred of its agents. The records of this convention are interesting, and have already been published. The meetings held were characterized by a deepseated spirit of enthusiasm; tempered, however, by a feeling of profound regret; for Henry B. Hyde, the founder of the Society, had died only three months before.

DEATH OF PRESIDENT HYDE

Mr. Hyde's death occurred on May 2nd, 1899; and at a special meeting of the Board, held on May 10th, James W. Alexander was elected president, and James H. Hyde, son of the founder, vice-president.

No attempt has been made in these pages to give even an outline of the career of Henry B. Hyde or of the services rendered by him to the Equitable Society, but it is fitting that the following testimony should be recorded here. The first extract is from a series of resolutions adopted by the Board of Directors immediately after his death:

"Mr. Hyde was both conservative and adventurous. He formed his plans with patience and care. He provided for every possible contingency within the ken of human foresight. Like every conqueror, he never doubted nor turned back. He moved upon the lines laid out with such speed and boldness as often to alarm his friends and associates. But the plans which might have failed in weaker hands materialized as they had been arranged by this masterful genius. His quickness in grasping a situation and his resourcefulness in meeting it were invaluable in time of panic and financial revulsions, of which so many and such disastrous ones happened during his career. Other companies might be crippled or go under, but the Equitable always came out the richer. He possessed the faculty of great leadership, the ability to select the best men for his cabinet and as captains. His judgment was faultless in choosing those who must be entrusted with great responsibilities. He was merciless to failure, but generous to extravagance in recognition of signal services. He bound able men to him and his company by a personal loyalty and devotion which won from them far more energetic and concentrated effort than money could buy. Though in the prime of life and powers, and with a future as full of possibilities as his past when he died, yet he was already the foremost man of his profession, and the creator of the most remarkably successful financial institution in the world."

The following are from a series of resolutions adopted by the agents of the Society :

"We need not refer to the masterly ability of Henry B. Hyde, for the Equitable Society stands a living monument to his memory.

"It is fitting, however, that we should record some sense of the loss we have sustained by the death of one who justly earned the name of friend of the agents, and who always strove for their success. His ripe experience and constant helpfulness in our ranks proved his claim to the title. Recognized as the most eminent of life insurance workers, he always kept in touch with us, even in our most remote fields of labor. His personal magnetism, precept, and example, have spurred many a disheartened agent to success."

The chief executive officers of four of the leading companies gave the following testimony :

The president of the Mutual Life Insurance Company said of the Society and of Mr. Hyde:

"This company in the short space of forty years, has become one of the noblest monuments of wisdom, perseverance, and permanent usefulness which modern civilization possesses. To the phosphorescent genius of Henry Baldwin Hyde is due not only its conception, not only the unremitting, intelligent, and impulsive labor with which it was established, but the constant supervision of its affairs throughout its history.

"Always surprising by the novelty of his methods, and indomitable in the vigor and mastery with which they were prosecuted, his influence has been felt upon the business at large in a degree second to none, and the vast changes which its entire organization and management have undergone during the last generation have resulted, in a degree which few as yet appreciate, from innovations made by him."

The president of the New York Life Insurance Company said :

“By the standards used in judging men in this life, Henry B. Hyde was without a peer in the profession which he honored by his unsurpassed ability.”

The president of the Metropolitan said :

“He was a just antagonist, asking no odds beyond ‘fair play.’ I never heard from him a mean word about a rival.

“Verily, the man who could be the main instrumentality in a creative work like this must have been of noble stature. These things come not of themselves. They are wrought out patiently and painfully. They are the products of deep thought and heroic action. Mr. Hyde always did his own thinking in the last analysis. He would seek advice, and he always followed what a friend gave him—provided he agreed with the friend! But his course marked out, he hewed to the line. He never faltered; he never feared. I rarely knew a man with more sublime faith in himself. All his studying and counseling and weighing and doubting were done beforehand, and then, the purpose once formed, went on to fruition. . . . He was an incarnate automobile; he could charge himself from within himself, independent of exterior forces. He needed no power-house; he was his own dynamo. His capacity for work was a marvel. He was a veritable galvanic battery in breeches. . . . I have not infrequently been told of his practical help to one or another of his agents, who, coming across a hard case, would make known the facts to Mr. Hyde. Thereupon they would go together and Mr. Hyde’s persuasive powers would often secure the application. . . .

“Surely one may as well try to stay Niagara as to thwart the power of a character thus tireless in its industry, ceaseless in its energy, and boundless in its determination.”

And the president of the Travellers said :

“Easily the foremost leader in the great work to which he unreservedly devoted his life, he followed his own convictions with a zeal and energy which were a constant challenge to preëxisting forces and methods. The anxiety of his friends and the predictions of his competitors were constantly quick-

ened by the boldness of his assumptions and the rapidity of his movements, until an abounding success compelled his most formidable opponents to adopt similar methods.

“Everything which directly or indirectly touched his company with a rough hand at any point found the chief in readiness with a vigorous and masterful defense. He seized with a gigantic grasp large undertakings before which timid men would quail, and he was fearless and prompt in their execution.”

President McKinley was shot on September 6th, 1901, while attending the World's Fair at Buffalo, and died eight days later. The tragedy caused profound agitation, and again a panic was feared, but the Nation was in a strong and prosperous condition, and confidence was soon restored. Theodore Roosevelt assumed the presidential chair, and the Society's steady advancement in financial strength and business prosperity continued without interruption during the three following years.

It may be thought that too much emphasis has here been laid on the periods of financial disturbance encountered by the Society in its progress from the weakness of infancy to the strength of maturity; but the value of such tests cannot be overestimated. They reveal not only the fibre of the Society, but clearly demonstrate the truth that a well established life insurance company with an adequate surplus is the safest and best of depositories for the savings of the people. And a necessary corollary from this is that although insurance companies that are weak or founded on unscientific principles, may succeed in fulfilling their obligations in prosperous times, the strongest company is none too good during periods of financial disaster when banks, trust companies, and business enterprises are so often overwhelmed.

CHAPTER IX

RENAISSANCE OF LIFE INSURANCE

When a comprehensive history of American Life Insurance is written a great deal of dramatic interest will be crowded into the period covered by the first two years of President Roosevelt's Second Administration (1905-6). And it will then be seen that the history of life insurance during that period was a mere episode in the broader history of American commerce and finance. Here again more interest will be centered upon the men identified with the enterprises of the day, than upon the great organizations developed by them. But space is lacking here to trace the progress of life insurance in general, or even the details of the Equitable's history: we must be content with the briefest record of salient points.

It so happened that at that time the management of great corporations of every kind had fallen under a torrent of criticism, and at length attention was turned to the great life insurance companies. This led to the appointment by the New York Legislature of an investigating committee composed of members of the Senate and Assembly. This committee was charged with the duty of examining the companies, studying life insurance methods, and offering amendments to the insurance laws of the State.

If this committee had not been restricted to an examination of the insurance companies and their administration, it would have become apparent that the evils complained of were not peculiar to life insurance. On the contrary, it would have been seen that most of them had originated in financial and legislative circles, had extended to railroad corporations and industrial combinations, and had finally involved insurance companies. But as the committee was forced to abandon any line of investigation as soon as it passed outside the life insurance

field, many of the facts developed were misinterpreted for a time by those who failed to look beneath the surface. Moreover, this misapprehension was intensified by sensational and extravagant articles published in certain of the newspapers. The effect was unfortunate; the policyholders of many strong companies became apprehensive, and great numbers who were timid or misinformed surrendered their policies, to the injury of the companies and to their own serious detriment.

It cannot be denied that there had been grounds for criticism: the race for business had led to extravagance; and to offset this extravagance some of the companies had been tempted to make investments that were not of a strictly conservative character. As a rule such investments had yielded liberal profits, thus increasing the resources of these companies, but it was seen that they were in some instances dangerous in their tendencies, and might ultimately bring loss instead of gain. The wisdom of arresting such tendencies was, therefore, obvious. But aside from considerations such as these, the investigation showed that the insurance business of these companies had been conducted on sound principles. Adequate premium rates had been maintained; risks had been selected with care; the mortality experienced had been normal; maturing policies had been promptly paid. In short, when the investigation was over, it was seen that these great companies were not only solvent but conspicuously prosperous, with large accumulations of surplus and with assets invested for the most part in gilt-edged securities and first mortgages on real-estate.

But we must revert to the history of the Society:

At a meeting of the Board held on February 8th, 1905, it was proposed to extend to policyholders the right to vote for directors. This led to discussion, and the situa-

tion was complicated by the opposition of certain minority stockholders outside the company who had nothing to do with its management.

Meanwhile the people insured in the various companies all over the country had become apprehensive in consequence of the inflammatory articles which appeared from day to day in the newspapers. At length the flames thus fanned gathered so much heat that a panic seemed imminent.

A number of the directors of the Equitable (as well as those of other companies) resigned, and the outlook became perplexing and discouraging. But in the case of the Equitable a solution was soon found: a majority of the capital of the Society was purchased by Mr. Thos. F. Ryan, and immediately assigned to three trustees, Ex-President Grover Cleveland, Judge Morgan J. O'Brien, and Mr. George Westinghouse. These trustees were charged with the duty of voting the stock in the interests of policyholders, and of nominating representative policyholders to fill the vacancies in the Board. By this action the threatened panic was averted. And the chairman of the Legislative Committee expressed the opinion that a great public service had been rendered by Mr. Ryan, who had testified before the committee as follows:

"I had never had any connection with the three big insurance companies except as a policyholder in each. I felt free to act . . . This seemed to me to be a thing worth doing . . . I determined never to exercise the voting power for the purpose of electing directors for the company or for any other purpose, and that I would select trustees of such high character that their motives could not be questioned . . . I have transferred the stock to these trustees. I have no control over it. I looked upon the transaction for the good of the community, and for the policyholders."

Mr. Cleveland's selfsacrifice and public spirit in assuming the grave responsibilities of a trusteeship under

the conditions then prevailing, and the noble work which he subsequently did for the cause of life insurance, fittingly crowned a long life of public service.

Concurrently with the appointment of these trustees the Society created a new office—that of “Chairman of the Board”—and on June 9th, 1905, Paul Morton was chosen to fill that office, and was also elected a director. Mr. Morton, who had gained a national reputation for energy and executive ability in the management of great railroad enterprises, and had shown conspicuous efficiency as Secretary of the Navy, had just resigned from President Roosevelt’s cabinet.

Other directors, and several of the officers of the Society, including the president and vice-president, resigned; and the Chairman of the Board was given a free hand to reorganize the Company, and introduce such reforms and improvements in administration as were seen to be needed.

On July 19th, 1905, William A Day, who had for several years been “Assistant to the Attorney General of the United States,” resigned that position to accept the office of Comptroller of the Society, (succeeding Thomas D. Jordan, since deceased). On March 31, 1906, he was elected Vice-President; and, on October 31, 1907, a director.

Immediately upon his appointment Mr. Morton brought into the office two independent firms of public accountants who were instructed to make an exhaustive examination and report their findings. In his letter of appointment Mr. Morton said to these accountants:

“I want to know the exact condition of the Society. With that end in view you will please make, jointly, an examination of the accounts of the Society. You will have access to all books, papers and records.



Grover Cleveland

"I desire that your report should be as complete and as exhaustive as possible."

He charged them to pay particular attention to the ascertainment of facts upon many subjects, including the following:

"The Society's annual expenses, including legal expenses, advertising expenses, agency expenses, and cost of securing business.

"The real estate investments of the company, including in the case of each parcel the value at which it is carried upon the books of the Society; the income it yields, and the fair valuation of the property, whether above or below the value at which it is carried upon the books of the Society. (If necessary real estate experts may be employed in ascertaining the value and income of the real estate, subject, of course, to my approval as to men and terms.)

"The other investments of the Society; their character and the circumstances under which they have been made.

"The Society's surplus and the manner in which it is carried upon the books of the Society.

"The methods of keeping the Society's accounts, and the respects in which its accounting may be improved."

To this he added:

"The foregoing are not intended to limit the scope of your inquiries which should be as broad as may be necessary in order to ascertain the precise condition of the affairs of the Society. I shall from time to time designate other subjects which seem to call for special investigation . . .

"I suggest that each one of your firms place in charge of this work one particular man with whom I may confer from time to time."

This examination extended over a period of many months, and has been characterized as the most searching and minute examination ever made of a life insurance company. The report covered every department of the Society's business, and filled a large printed volume.

Every department was investigated, every investment was searchingly examined, and every asset was reappraised on a rigidly conservative basis.

Such an examination was necessarily expensive, but it was worth far more than its cost. While it revealed the financial strength and prosperous condition of the Society more conspicuously than could have been secured by any other means, it also suggested developments and innovations. And measures were promptly taken to effect improvements, increase earnings, and reduce expenses. The various departments of the office were reorganized; a modern system of accounting was introduced; the auditor's department was given new efficiency, and the By-Laws were amended, introducing many new safeguards, including a thorough readjustment of the treasurer's department under which all financial transactions are now protected by a new system of checks and counterchecks.

Meanwhile Mr. Cleveland and his co-trustees had opened communication with the policyholders throughout the Country, asking them to nominate representative policyholders to serve as directors. In acting upon these nominations the trustees sought as far as possible to select policyholders at central points throughout the Country.* Representative men, thus endorsed by their fellow policyholders, were nominated by the trustees and were duly elected members of the Board, which thus became substantially a body of policyholder-directors.‡

On July 26th Mr. Morton resigned the office of Chairman of the Board and was elected President; whereupon the office of chairman of the board, having served its purpose, was abolished.

*Subject to the charter provision that a majority of the Board should be residents of New York.

‡See list of present Board of Directors, page 124.

About a year after the appointment of the trustees; namely on May 22d, 1906, Mr. Cleveland called attention to the fact that the obstacles to the adoption of an amended charter had been swept away by the new Insurance Laws; and in a letter to the President said:

“The Trustees have thus far acted upon the theory that until a change in the law permitted an amendment of the Charter, so that a majority of the directors could be elected directly by the policyholders, they would provide the nearest possible substitute therefor by bringing about the election of a sufficient number of policyholders to give to the policyholders a majority of the entire Board through the action of the Trustees, after such consultation with the policyholders at large as was possible.”

To this he added a recommendation that, “the Board should proceed at once to adopt an amended charter.” Action was taken accordingly. An amended charter was adopted,* filed, and approved by the Superintendent of the Insurance Department. This Charter, under which the Society is now acting, gives the policyholders the right to vote for twenty-eight directors out of a total of fifty-two, while the remaining twenty-four are nominated by the Trustees. But these twenty-four are also in effect policyholder-directors, for the Trust Agreement provides that these twenty-four shall be “lawfully eligible persons elected by the Trustees in their sole discretion.” And, as we have seen, it has been the aim of the Trustees to nominate representative policyholders to these offices in all cases.

ASSOCIATION OF PRESIDENTS

In December, 1906, President Morton addressed a letter to the presidents of all the prominent life insurance companies in the United States, suggesting an organization for the protection of life insurance interests. This

*On June 20th, 1906.

proposal met with instant favor, and resulted in the organization of the *Association of Life Insurance Presidents* established for the following purposes:

“To promote the welfare of policyholders.

“To advance the interests of life insurance.

“To promote economy and reduce expenses in matters of general administration.

“To consider measures introduced in legislative bodies, with a view to ascertaining and publicly presenting the grounds which may exist for their adoption or rejection.”

At a meeting of this Association, held on January 31st, 1907, it was announced that Mr. Cleveland had consented to accept the position of chairman and counsel; and in establishing and extending the usefulness of this organization he has rendered services for which those who are interested in the future development of American life insurance have every reason to be grateful.

At the first annual meeting of the Association, held on December 6th, 1907, Mr. Cleveland said:

“The subject of life insurance in the United States presents features of development and evolution which constitute it one of the greatest wonders of our national advancement. . . .

“You who manage life insurance companies cannot afford to risk weakness in a single one of its threads. Their disintegration through breaches of good faith, through broken promises or through delusive misrepresentation, means a loss of strength which no actuarial mystery or managerial calculation can repair. . . .

“It is unfortunate that this business phase of life insurance management is not as well and as universally understood as its more sentimental elements. It means steady, careful work, free from all show or glitter; and yet without it, every sentimental flower of life insurance would quickly fade, and its structure of safety and defense would fall of its own weight.”

CHAPTER X

1906, 1907, AND 1908

While the administration of the Society's affairs was thus being reviewed and strengthened, general conditions were improving. The Legislative Committee had made its report, and the laws had been revised. Nevertheless, the agents of the various companies still found it hard to write insurance. Sensational articles con-



EQUITABLE BUILDING, MADRID

tinued to appear in certain of the papers; the investigation of the Legislative Committee had revealed weakness in two of the smaller companies; the apprehension of the

public was by no means fully allayed; and many agents, seeing little prospect of immediate success, sought employment in other directions.

Some of the new laws went into operation in 1906; the rest on January 1st, 1907. No one could tell at first what effect they would have on the practice of life insurance, or on the agents' work, and an unsettled condition in the general business of the country increased the difficulties of the situation. Notwithstanding this, the outlook was more encouraging than it had been for several years; for many genuine reforms had been introduced; more economical methods had been adopted; and the public, educated by the attention that had been directed to the subject of life insurance, were found to have acquired a more intelligent appreciation of its merits, and a more enlightened desire to benefit by its protection.

A distinct improvement was manifested during the latter part of the year, and 1907 opened more auspiciously.

On January 1st, 1907, old policy forms were abandoned, and "standard" contracts endorsed by the State, were introduced. And this in itself was instrumental in helping to restore public confidence in the institution of life insurance. But the progress made by the agents was still somewhat retarded, as they found it necessary to adapt themselves to unfamiliar laws and altogether new conditions. Moreover, towards the close of the year, irregularities in the management of a group of banks, and great stringency in the money market, created widespread apprehension. Runs on prominent trust companies and banks followed; the Knickerbocker Trust Company was forced to close its doors temporarily, and a number of failures ensued.

Those who had not seen the great panics of 1873 and 1893 called this the "Panic of 1907." And it really deserved the title, although the crisis that threatened was averted, and recovery was rapid. Nevertheless, values were seriously affected, and it became almost impossible to borrow money on the best securities, even at exorbitant rates of interest.

Again the Society did public service, furnishing financial relief to thousands of people throughout the country, by making loans to a large number of its policyholders at 5 per cent. interest, on the sole security of their policies.

Over \$9,000,000 was thus advanced during the last quarter of the year. In addition to this, many loans which matured at that time and which under normal conditions would have been repaid to the Society, were renewed.

This money stringency extended into 1908, and large sums were advanced by the Society during that year also. In the first quarter (in addition to the many old loans renewed) new loans aggregating over \$5,000,000 were made to policyholders.

These loans ranged from a few dollars in the smaller cases to sums above \$50,000 in the largest cases. They were made to all sorts and conditions of men, from laborers and small retail merchants, to prominent financiers, at a time when business men, and particularly manufacturers with pay-rolls, found it almost impossible to secure sufficient funds from their banks to meet current obligations.

It is not to be inferred from all this that the Society advocates the mortgaging of policies—the borrowing of money by husbands and fathers from wives and children. The fact that a policy may be used as collateral security for a loan enables a man at times to save a policy which might otherwise be lost, or to bridge over

me temporary period of financial peril; but in general the Society fully endorses what Mr. Cleveland has said on this subject:

"A policy was made to hold. This loan system is not good. Let every policyholder think twice before he gives way to the temptation of borrowing on his policy. Sometimes it cannot be avoided; but often it can, if a man thinks twice. There is many a way to tide over a tight place without letting your policy get out of your hands."

But in spite of the depression following the panic, and the excitement incident to a presidential election, the year 1908 proved far better for life insurance than 1907. This is illustrated by the Society's experience. Its new business, which had shown a decline in 1906, amounted to \$73,279,540 in 1907, and exhibited an increase of nearly 25 per cent. in 1908, aggregating \$91,262,101 for that year. Moreover, the expenses were less than for the previous year, notwithstanding the larger amount of insurance written. On the other hand, the terminations were nearly five millions less than in 1907.

Just here it may be stated that since 1905 there has been a steady decrease in expenses, in spite of the fact that the new laws have added much detail to the clerical routine, and notwithstanding the cost of installing an entirely new system of accounting, and a thorough reorganization of the various departments of the office.

Larger earnings were also shown: the average gross rate of interest realized in 1908 was 4.45%, as against 3.9% in 1907, 4.26% in 1906, 4.03% in 1905, and 3.90% in 1904.

The improvement for the year 1908 is further illustrated by the table at the end of this chapter, in which important items from the 49th Annual Report are compared with the same items in the report for the previous year.

The Society's 49th Annual Report contains a series of interesting tables, illustrating the fact that under President Morton's administration the policy of management inaugurated by him of investing the money received from policyholders in the States from which that money has been derived, has been successfully carried out. This is not only shown by the permanent investments, but by mortgage loans; and it may be stated, in passing, that there has been an increase of over 58% in the percentage of mortgage loans outside the State of New York since 1905. During the past year alone, there has been a reduction of over \$4,000,000 in such loans outstanding in the State of New York, while at the same time there has been an increase of over \$2,500,000 in the total of loans outstanding.

This wide distribution is shown also by the Society's annual disbursements for death claims, matured endowments, policy-loans, and other payments in the various States, which correspond very closely with the receipts from those States.

Thus the erroneous belief that the money received from policyholders is hoarded at headquarters is disproved, and the fact that it is immediately put into circulation all over the country is clearly shown.

Some of the old agents of the Society had retired in 1906 and 1907, but the large number of loyal representatives who remained did noble work. Besides this, the field forces were increased and strengthened by the addition in 1908 of some twenty-five hundred new agents.

1908 COMPARED WITH 1907

	1908	1907
TOTAL ASSETS	\$472,339,508.83	\$453,928,775.06
Stocks at Market Quotations of December 31. Bonds at amortized values.		
TOTAL LIABILITIES	391,072,041.93	379,372,284.59
Consisting of Insurance Fund \$384,152,880 and \$6,919,161.93 of miscellaneous liabilities.		
The Insurance Fund (with future premiums and interest) will pay all outstanding policies as they mature.		
TOTAL SURPLUS AND DIVIDEND FUND	81,267,466.90	74,556,490.47
This fund includes surplus accumulated for future distribution on deferred dividend policies.		
PAID TO POLICYHOLDERS:		
In Death Benefits	20,324,002.65	18,992,079.87
In Endowments	4,830,170.10	4,704,119.32
In Annuities, Surrender Values and other Benefits	14,696,354.16	14,100,855.97
In Dividends to Policyholders	8,011,015.78	7,508,776.14
TOTAL PAID TO POLICYHOLDERS	\$47,861,542.69	\$45,305,831.30

	1908	1907
EARNINGS FROM INTEREST AND RENTS	20,636,405.61	19,485,110.01
OUTSTANDING LOANS ON REAL ESTATE	97,570,767.22	95,008,970.00
Invested at an average rate of 4.70 per cent. as against 4.53 per cent. in 1907.		
TOTAL EXPENSES	9,758,447.46	9,846,858.69
Including Commissions and Taxes.		

NOTE.—The figures in this volume are based on the Society's general financial statements. As the book is intended for policyholders at large, including residents of Connecticut, Ohio, and Louisiana; and in view of the fact that in these states the laws prescribe that the companies shall not take credit for "Not Admitted" items in their reports to the insurance departments of these states, special attention is called to the fact that in considering the figures for December 31, 1908, from the standpoint of the laws of Louisiana and Connecticut, \$9,500,390.69 must be deducted from assets, \$9,104,710.91 from surplus, and \$395,679.78 from liabilities. From the standpoint of the laws of Ohio, \$8,992,634.02 must be deducted from assets, \$9,088,645.24 from surplus, and \$37,784,428 must be added to new insurance, \$15,027,246 to outstanding insurance, and \$96,011.22 to liabilities.

The Assets of the Society may be Divided into Three Parts, as follows:

1. The INSURANCE FUND (or Policy Reserve) \$384,152,880. This amount, with future premiums and interest, will pay all policies as they mature.

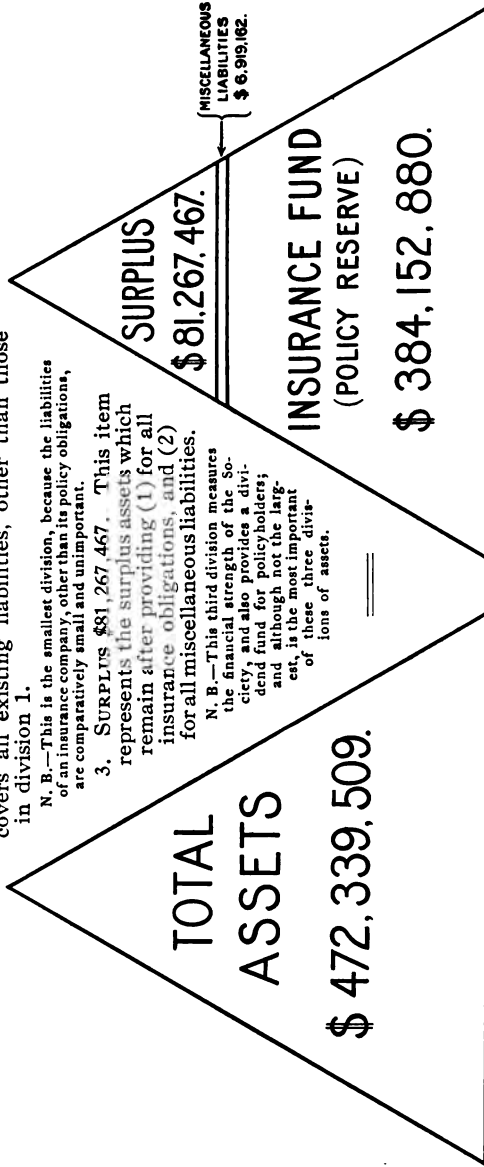
N. B.—This is the largest of the three divisions, as it provides for the policy obligations of the Society

2. MISCELLANEOUS LIABILITIES \$6,919,162. This covers all existing liabilities, other than those in division 1.

N. B.—This is the smallest division, because the liabilities of an insurance company, other than its policy obligations, are comparatively small and unimportant.

3. SURPLUS \$81,267,467. This item represents the surplus assets which remain after providing (1) for all insurance obligations, and (2) for all miscellaneous liabilities.

N. B.—This third division measures the financial strength of the Society, and also provides a dividend fund for policy holders; and although not the largest, is the most important of these three divisions of assets.



CHAPTER XI

THE SOCIETY IN 1909

We now come to the Society's Jubilee Year—its Fiftieth Anniversary. The Society's position to-day is shown by the following comparison.

THE SOCIETY AT THE END OF THE FIRST FIVE MONTHS OF ITS HISTORY			
CONTRASTED WITH ITS POSITION			
(a) at the end of its first Quarter Century			
(b) at the end of its first Half Century			
ITEMS FROM ANNUAL REPORTS	1st YEAR Dec. 31, 1859	25th YEAR Dec. 31, 1884	50th YEAR Dec. 31, 1908
Assets . . .	\$ 117,102	\$ 58,161,926	\$ 472,339,509
Insurance Fund and other liabilities. .	20,948	47,678,309	391,072,042
Surplus . . .	96,154	10,483,617	81,267,467
Paid Policy- holders dur- ing year . .	Nothing	7,194,787	47,861,543
Dividends to Policyhold- ers, during year. . . .	None	1,850,145	8,011,016
Dividends to stockholders.	None	7,000	7,000
Outstanding Insurance. . .	1,144,000	309,409,171	1,326,478,540

The figures in the last column of the foregoing table are taken from the 49th Annual Statement, showing the Society's condition at the end of 49 years and 5 months. Further advances will be made before the Anniversary date is reached on July 26th; and not until the 50th Annual Statement is issued at the close of the year will these further advances be adequately shown.

Up to December 31st, 1908, the total sum returned to policyholders amounted to \$656,772,603; and this aggregate will be materially increased before July 26th, 1909. A large proportion of this sum has been paid to widows and orphans; and \$110,954,505 has been disbursed in dividends alone. Besides this, the Society has on hand, for future distribution among its policyholders, Assets amounting to \$472,339,509. Of this sum \$384,152,880 constitutes the "INSURANCE FUND" which (increased by future premiums and interest) will pay all outstanding policies as they mature. This FUND plus miscellaneous obligations, makes the total liabilities \$391,072,042. The balance, amounting to \$81,267,467, is the SURPLUS held for future dividends and for the general protection of members.

The aggregate paid in dividends to policyholders during the last ten years is greater than that of any other company. The record for the last five years is as follows:

DIVIDENDS PAID TO POLICYHOLDERS

1904	\$6,001,903
1905	6,709,003
1906	7,289,735
1907	7,508,776
1908	8,011,016
Total for five years.....	<u>\$35,520,433</u>

The sum set aside for 1909 is \$10,003,000.

ASSETS. DEC. 31. 1859



\$ 117, 102.

ASSETS

DEC. 31. 1884

\$ 58,161, 926.

ASSETS

DEC. 31. 1908

\$ 472, 339, 509.

SURPLUS. DEC. 31. 1859



\$ 96,154.

SURPLUS

DEC. 31. 1884

\$ 10, 483, 617.

SURPLUS

DEC. 31. 1908

\$ 81, 267, 467.

OUTSTANDING INSURANCE. DEC. 31. 1859



\$ 1, 144, 000.

OUTSTANDING
INSURANCE

DEC. 31. 1884

\$ 309, 409, 171.

OUTSTANDING
INSURANCE

DEC. 31. 1908

\$ 1, 326, 478, 540.

MAGNITUDE OF THE SOCIETY

Some of the foregoing figures are so large that a more definite impression of the magnitude of the Society's business may perhaps be gathered from the following miscellaneous facts :

GOVERNMENT

The affairs of the Society are conducted by a board of fifty-two directors and a staff of executive officers.

The standing committees of the Board are as follows: an *Executive Committee*, a *Committee on Finance*, a *Committee on Insurance* and a *Committee on Agencies*.

Each important department of the business is in charge of an executive officer or group of officers. Cabinet meetings, at which the president presides, are frequently held; and the various officers serve on committees charged with the general supervision of the business, the administration of the office, and the management of the office force.

THE CENTRAL OFFICE

The executive offices are on the second and third floors of the Equitable Building. A bureau of information, in a central position, guides visitors to the various departments. And any visitor passing from one department to another will find that the Equitable is a complex organism—more like a group of great corporations than one company engaged in a single line of business; for the Cashier's Department is like a great banking institution; the Real Estate Department like a great investment and mortgage company; the Finance Department like a great trust company; the Security Department like a safe deposit company; the Literary Department a veritable publishing house, and the Supply Department a storehouse, freight office, and stationery shop. A large and important department, governed by executive officers, is responsible for the agents and agencies.

The Actuary's Department has chiefly to do with insurance computations, the calculation of liabilities and reserves, and the valuing of policies; the Auditor's Department has charge of the books and accounts; the Statistical Department compiles the figures that measure the Society's progress, and illustrate its experience. Another handles applications for insurance, and another makes out the policy-contracts. The Medical Department has charge of the examination of applicants and applications, and the appointment and supervision of the physicians employed at home and abroad. One department prepares and issues the premium notices; another the receipts given for payments made, and another has charge of the dividends. Death claims and matured policies are settled in one department; surrender values in another, and policy-loans in a third.

Those having charge of purchasing, printing, and advertising, have multifarious duties to perform. Estimates for supplies to be furnished or work to be done must be submitted and compared; and prospectuses, circulars, leaflets, policy forms, blanks, letter heads, envelopes, notices, and receipts must be printed and distributed.

As the Society transacts business at important points throughout the civilized World, experts in foreign currencies and the intricacies of foreign exchange are needed; and policy-writers and translators familiar with foreign languages are also required.

No payment in excess of \$5,000 is made except under the authority of the Board or the Executive Committee acting for the Board. All payments are made through the Treasurer's Department, and must be verified in the Auditor's Department. No investment is made without the unanimous approval of the Committee on Finance; and all purchases and sales are reported to the Executive Committee and thereafter to the Board of Directors.

The Society has one of the most complete and valuable insurance libraries in existence. It also has a law library for the convenience of the tenants of the Equitable Building.

Upwards of 1000 persons are employed in the New York offices of the Society, and in addition there are about 100 engineers, janitors, elevator men, watchmen, and cleaners.

In the Society's branch offices, besides the agents and their assistants, 400 local cashiers, stenographers, clerks and errand boys are directly employed by the Society.

On the average, 3500 letters are received each day; and, in addition to the many letters written by the officers and by those in charge of the various departments, a bureau for the handling of current correspondence keeps a force of over thirty persons constantly busy, in reading, writing, distributing and filing letters, and handling the incoming and outgoing mails.

The letters containing checks, drafts and money-orders are turned over to the Cashier, at whose window during business hours there is a constant line of policyholders and others, paying or receiving money over the counter.

The average daily receipts by the Cashier amount to \$50,000—\$30,000 in remittances and \$20,000 over the counter.

These statistics might be multiplied, but enough has been said to give some idea of the magnitude of the Society's operations.

COMPETING COMPANIES

Of the many regular life insurance companies organized from time to time in the United States there remain in the business only about two hundred.

The record for the State of New York is as follows: Fifty-eight companies have been organized. Some of

these have ceased to solicit insurance, some have retired and reinsured their risks, some have failed, and only thirteen remain in the field.

It is impossible to obtain accurate statistics regarding the companies of other States that have passed away, and it is still harder to obtain reliable data regarding fraternal and assessment companies. Such organizations are usually short lived, although the existence of some of them has been prolonged by support from without, or by reorganizing them on a regular basis.

The best life insurance company is the one whose guarantees are surest, and whose strength is such that it will prosper in times of stress and strain as certainly as during periods of financial prosperity. The "cheapest" insurance is not often the best. Assessment companies have failed because they have attempted the impossible task of granting insurance at less than cost. And although companies organized on a scientific basis have never failed when properly managed, many such companies have failed in consequence of mismanagement. Hence, "Management is the Keystone of the Arch."

THE AGENT

It is unfortunate, perhaps, that men do not go voluntarily to the insurance companies and apply for the insurance which they need. But the habit of awaiting the visit of the agent has become so firmly established that the agent is absolutely essential to the efficient transaction of the insurance business.

The "Old Equitable" of London, to which reference has been made more than once, is a monument to the strength and permanence of a life insurance company founded on scientific principles. The value of the insur-

ance it offers is unquestioned, and its policyholders are fortunate in their identification with it. But it has never employed agents, and during the five years ending Dec. 31, 1907, its effort to give sheltering protection to widows and orphans has been limited to an average annual output of 262 policies, covering an annual average of \$1,335,375 of insurance. This is in strong contrast with the record of the Equitable of New York, which, with the co-operation of its agents, is now writing insurance at the rate of \$100,000,000 a year.* And it will be the aim of the Equitable in the future, as in the past, to seek as its representatives in the field, men of character, intelligence, and standing; in order that the company and its members shall always be fittingly represented.

*The *National Messenger* has answered the question "*Must the agent go?*" in the following witty paragraphs:

"Yes—and he will continue to go; and where he goes danger will decrease, distress disappear, and comfort will continue.

"He will go for the busy man who requires someone to interrupt him and make him listen.

"He will continue to go to widows and families, and assist them to prove their claims, and will carry the money to them, and will hear them say: 'We wish you had made father take more.' And he will go to the man whom he urged to take an endowment, and will pay him the money and hear him say, 'I wish you had made me take more.'

"Yes, the life insurance agent must go; and for your sake we hope he will go your way."

CHAPTER XII

THE FUTURE

In the light of the Equitable's past history, its present strong position, and the general outlook, all signs point to a prosperous future, and steadily increasing usefulness for the Society.

Life insurance is not a luxury. It is a necessity in every civilized community. And its beneficent influence will continue to spread with the advance of civilization.

Now that the policyholders of the Equitable Society are learning that their interests and those of their company are identical—that, as a matter of fact, they constitute the company—their intelligent co-operation will not only result in advancing their individual interests, but will also aid in increasing the efficiency of the Society.

There are many ways in which policyholders can thus help both themselves and their company.

They can take new policies with it whenever they find it expedient to increase the amount of the insurance they carry; they can recommend it to friends whose families need protection; they can exert their influence in behalf of its agencies; they can recommend competent men and women to represent it as solicitors, and they can aid in creating an intelligent public opinion in reference to taxation and legislation. In this connection the following extracts from a recent publication are quoted:

“How can ignorant and pernicious legislation be restrained?

“This can only be accomplished through the stimulation of intelligent public sentiment. Many of the laws enacted by the various governments and States for the protection of policyholders have done serious injury to those for whose benefit they were enacted. Usually this has been due to the

ignorance of well-meaning legislators, who have labored under the mistaken impression that the interests of the company are antagonistic to those of the policyholder.

“As regards taxation, it may be said that any government that taxes thrift—that exacts a penalty from the man who seeks to provide for those dependent on him—defeats its own ends. Savings bank deposits should not be taxed, nor should earnings deposited with the life insurance companies. And if those who invest in life insurance are indifferent to this truth because they think they escape injury because it is the *company* that is taxed, they also reveal their ignorance. They do not suffer directly but they do suffer indirectly. It is quite possible that there are many men in the United States who at this very moment are protesting with great heat against the smallness of the dividends paid by the companies in which they are insured, who have themselves been State legislators and have voted for the passage of laws placing heavy taxes on the premium receipts of the companies transacting business in their States.

“It is important for the policyholders of all companies to understand that if taxes are imposed dividends *must* suffer.”

SECURITY THE FIRST CONSIDERATION

The policies issued by the Equitable Society are valuable:

First, because they grant insurance that *insures*—protection that *protects*;

Second, because each policy contains all the benefits and “options” that can properly be combined in a single contract;

Third, because every contract is drawn to conform to the rigid provisions of the revised insurance laws of the State of New York, and

Fourth, because policies and annuities are issued in such a variety of forms that a selection can be made to meet any conceivable need.

The breadwinner, for example, may make a contract under which his wife or daughter, after his death, will receive a fixed monthly income for life; or he can secure a policy which will provide for his family if he dies prematurely; or one which will aid in his own support during his declining years. He can obtain a policy which will protect mortgaged real-estate; the continuity of a partnership; the permanence of a corporation, or the future of any business enterprise. He can provide a fund to start an infant son in business on coming of age, or may accumulate a wedding portion for a daughter.

For some years the growing wealth of the United States, and the steadily decreasing rate of interest obtainable on investments, have caused the public to turn their attention to life annuities, and they are becoming more popular every day.

An investment in an Equitable Annuity is practically as safe as an investment in government bonds. Moreover, if taken at any age over forty the annuity will yield from twice to four times the income derived from government bonds. Hence the Society's business in annuities is increasing steadily.

A few only of the many ways in which modern life insurance can be utilized have been stated here, but prompt attention will always be given by the officers of the Society to the inquiries of policyholders and others, regarding the different policies issued or regarding any other subjects relating to the business. Nor can it be doubted that insurance will be adapted to new purposes in the future, and that the Equitable will continue to take the lead in genuine improvements and innovations. Consequently, policyholders who wish to increase their insurance will do well to obtain the latest intelligence from the Society or from its representatives in the field.

CONCLUSION

And now this brief outline of the history of the Equitable Society's First Half-Century may be appropriately brought to a close by paraphrasing the statement made by the President to the Board of Directors on the Society's 25th Anniversary:

IT IS NOT INCONCEIVABLE THAT SOME OF THE YOUNGER MEN NOW IDENTIFIED WITH THE MANAGEMENT MAY SURVIVE THE NEXT FIFTY YEARS AND MEET TO READ THE HISTORY OF THE FIRST CENTURY OF THE EQUITABLE. LET US HOPE THAT THE RESULTS OF THE FIFTY YEARS UPON WHICH WE ARE NOW ENTERING WILL BE AS SATISFACTORY AS THOSE OF THE YEARS THAT HAVE PASSED; AND THAT THE OFFICERS AND DIRECTORS THEN IN CHARGE OF THE INSTITUTION WILL BE MEN WISELY CHOSEN, WHOSE FIDELITY AND SKILL WILL BE COMMENSURATE WITH THE GREAT TRUST COMMITTED TO THEIR CARE.

PUBLISHED BY

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

FOR THE INFORMATION OF
ITS POLICYHOLDERS

<i>Vice-President :</i> WILLIAM A. DAY	<i>President :</i> PAUL MORTON	<i>ad Vice-President :</i> G. T. WILSON
<i>Secretary :</i> WM. ALEXANDER	<i>Ins. Assist. to President :</i> H. L. ROSENFELD	<i>Actuary :</i> J. G. VAN CISE
<i>Treasurer :</i> C. E. PHELPS	<i>Comptroller :</i> GERALD R. BROWN	<i>Auditor :</i> LEON O. FISHER
	<i>Medical Directors :</i> F. C. WELLS, M. D. T. H. ROCKWELL, M. D.	

THE EQUITABLE LIFE ASSURANCE
SOCIETY OF THE UNITED STATES
WAS ORGANIZED JULY 26, 1859

THE FIRST ANNUAL STATEMENT WAS FOR THE YEAR
ENDING DECEMBER 31, 1860

(Issued in 1861)

THE TWENTY-FIFTH ANNIVERSARY
WAS ON JULY 26, 1884

THE TWENTY-FIFTH ANNUAL STATEMENT WAS FOR
THE YEAR ENDING DECEMBER 31, 1884

(Issued in 1885)

THE FIFTIETH ANNIVERSARY WILL
BE ON JULY 26, 1909

THE FIFTIETH ANNUAL STATEMENT WILL BE FOR
THE YEAR ENDING DECEMBER 31, 1909

(And will be issued in 1910)

BOARD OF DIRECTORS

JUNE, 1909

- PAUL MORTON**, New York.
President of the Society.
- CHARLES B. ALEXANDER**, New York.
Counselor-at-Law.
- JOHN N. BEACH**, New York.
Vice-President Tefft, Weller Co.
- E. W. BLOOMINGDALE**, New York.
Director Phenix National Bank.
- ABRAHAM BRITTIN**, New Orleans.
V. P. Board of Liquidation, New Orleans City Debt.
- T. DEWITT CUYLER**, Philadelphia.
Counselor-at-Law.
- WM. A. DAY**, New York.
Vice-President of Society.
- JAMES B. FORGAN**, Chicago.
President First National Bank.
- THOMAS A. GILLESPIE**, New York and Pittsburg.
President The T. A. Gillespie Company, Contractors.
- ALEXANDER C. HUMPHREYS**, New York.
President Stevens Institute.
- BRADISH JOHNSON**, New York.
President Estate of Bradish Johnson.
- JOHN D. KERNAN**, Utica, N. Y.
Counselor-at-Law.
- ALVIN W. KRECH**, New York.
President Equitable Trust Company.
- CHARLES E. LITTLEFIELD**, New York.
Counselor-at-Law.
- JOHN T. MANSON**, New Haven, Conn.
President Yale National Bank.
- ROBERT MATHER**, New York.
Chairman Board, Westinghouse Electric Co.
- JOHN J. MCCOOK**, New York.
Counselor-at-Law.
- WILLIS F. MCCOOK**, Pittsburg, Pa.
Counselor-at-Law.
- JAMES McMAHON**, Brooklyn, N. Y.
Ex-Pres. Emigrants Industrial Savings Bank.
- DAVID H. MOFFAT**, Denver, Col.
President First National Bank.
- EDWARD DE V. MORRELL**, Philadelphia.
Counselor-at-Law.
- LEVI P. MORTON**, New York.
President Morton Trust Company.
Ex-Vice-President of the United States.

BOARD OF DIRECTORS

(Continued)

- JOY MORTON, Chicago.
Merchant and Manufacturer.
- ALFONSO DE NAVARRO, New York.
Vice-President Atlas Portland Cement Co.
- LUDWIG NISSEN, New York.
Merchant and Importer.
- EUGENIUS H. OUTERBRIDGE, New York.
Harvey & Outerbridge, Merchants.
Treas. Pantasote Leather Co.
- WILLIAM E. PAINE, New York.
President Yellow Pine Company.
- WALLACE L. PIERCE, Boston, Mass.
President S. S. Pierce Co. and Walworth Mfg. Co.
- TOM RANDOLPH, St. Louis, Mo.
President Commonwealth Trust Company.
- WM. C. REDFIELD, Brooklyn, N. Y.
Manufacturer.
- E. W. ROBERTSON, Columbia, S. C.
President National Loan & Exchange Bank.
- J. G. SCHMIDLAPP, Cincinnati, Ohio.
President Union Savings Bank & Trust Co.
- V. P. SNYDER, New York.
President National Bank of Commerce.
- THOMAS SPRATT, Ogdensburg, N. Y.
Counselor-at-Law.
- J. EDWARD SWANSTROM, New York.
Counselor-at-Law.
- GAGE E. TARBELL, New York.
President Garden City Estates.
- EBEN B. THOMAS, New York and Pennsylvania.
President Lehigh Valley R. R. Co.
- DANIEL A. TOMPKINS, Charlotte, N. C.
Manufacturer of cotton goods, cotton mill and cotton
oil machinery.
- Sir WILLIAM C. VAN HORNE, Montreal.
Chairman Board of Directors Canadian Pacific Rail-
road Company.
- GEORGE F. VIETOR, New York.
Commission Merchant.
- WILLIAM WHITMAN, Boston, Mass.
Dry Goods Commission Merchant and Manufacturer.
- GEORGE T. WILSON, New York.
Second Vice-President of the Society.
- FRANK S. WITHERBEE, New York.
President Witherbee, Sherman & Co., iron ores.
- CHARLES H. ZEHNDER, New York.
President Austen Coal & Coke Company.

“ We must regard the past, but we must not regard only the past. We must also think of the future, and while we must learn by experience we cannot afford to pay heed merely to the teachings of experience. The great preacher Channing spoke with fine insight on this very point: ‘ It is possible to make experience too much our guide. There are seasons in human affairs, of inward and outward revolution, when new depths seem to be broken up in the soul, when new wants are unfolded in multitudes, and a new and undefined good is thirsted for. These are periods when the principles of experience need to be modified, when hope and trust and instinct claim a share with prudence in the guidance of affairs, when in truth to dare is the highest wisdom.’ These sentences should be carefully pondered by those men, often very good men, who forget that constructive change offers the best method of avoiding destructive change; that reform is the antidote to revolution.”

THEODORE ROOSEVELT.

"The man who does not hope for better things and does not believe that better things can be brought about is not the man likely to bring better things about. The spirit of hypercriticism and the uncompromising attitude which will not accept 'some progress is better than none,' the insistence upon the full realization of the highest ideals and the rejection of any compromises which accomplish good are all likely to retard progress. Constant criticism and constant pessimism are productive of paralysis and stagnation. No one who wishes to do anything and bring about real reform should allow himself to read from day to day editorials and other printed articles the tone of which is pessimistic and hypercritical, for nothing will so take out of him the enthusiasm necessary to successful effort as the reading of such matter."

WILLIAM H. TAFT.