

unique institution, besides serving the immigrant, takes up the human material that has drifted away from public schools, and does for it what we ought to be able to boast of our public schools as doing.

A visit to Ferris Institute is full of suggestion as to what might be made of the public school system. It is not a place for "cramming" nor for "stunts." It is distinctly educational in purpose, spirit and atmosphere. And it is democratic to the core. It could hardly be otherwise with Mr. Ferris at its head. He will be recognized as the Democratic candidate a few years ago for Governor of Michigan, whose popularity throughout the State gave him so large a vote that his election was anticipated. But he is no mere traditional Democrat. He is a democratic Democrat who has the courage and leads the life of his convictions.

EDITORIAL CORRESPONDENCE

SAVINGS BANK INSURANCE IN MASSACHUSETTS.

Boston, Mass.

We have recently closed the first year of our savings bank system in operation, and the following review of what has been accomplished in this pioneer work may prove of value generally in the effort for social betterment:

First—Following the publication of an article in Collier's September, 1906, a plan for legislation of the character therein referred to was submitted to the Recess Insurance Committee appointed by the Massachusetts legislature of 1906, and the plan was unanimously recommended by that committee to the legislature of 1907.

The Savings Bank Insurance and Annuity bill was passed on June 26, 1907. The trustees of the General Insurance Guaranty Fund, who exercise general supervision over the system, were appointed in July, 1907. The State actuary was selected by the trustees in October, 1907. The large amount of work required of the State actuary and State medical director before the system could be put into operation delayed the opening of the insurance department of any bank until the end of June, 1908, when the Whitman Savings Bank established its insurance department. Even then the preliminary actuarial work had only been in part performed, and it was not until some months later that the system was in what may be called working order. The People's Savings Bank of Brockton opened its insurance department November 2, 1908.

Second—The financial year of the savings banks begins November 1. The first year, therefore, of the savings bank insurance system in operation closed October 31, 1909. The report showing the operation of both the Whitman Savings Bank and the People's Savings Bank of Brockton has just been made with the following result:

1. The aggregate insurance of the two banks outstanding at the end of the year (not including an-

nuity or pension policies) was about \$1,000,000,—the policies being 2,521, and averaging \$393.79.

2. The insurance departments earned, after setting apart the full legal reserve, calculated on the most conservative basis, and in addition an amount equal to four per cent of the premiums to the trustees of the General Insurance Guaranty fund, and paying interest at the rate of four per cent on the special guaranty fund of \$25,000 for each bank, a surplus from which they have declared payable to the holders of all of the monthly premium policies a dividend of 8½ per cent.

For the payment of this dividend only 25 per cent of the surplus profit earned is required. The remaining 75 per cent of the profits is set apart as a surplus guaranty fund, in addition to the legal reserve and the contribution to the General Guaranty fund referred to above. Of the expenses of the insurance department during the past year, over two-thirds has consisted of medical fees. The percentage of these to premiums is of course unusually heavy in the first year. The State actuary believes that when the system is in full operation, the dividend on the monthly premium policies will be much larger than 8½ per cent, and that a dividend of 20 per cent may reasonably be expected.

Third—The present monthly premium rates are 15 per cent less than the present industrial rates. Savings bank policies, however, being participating policies, the policyholders, even with the present dividend of 8½ per cent, get a rate which is 22 per cent less than that of the industrial companies. Putting it in another way—the present industrial companies' rate is about 30 per cent higher than the net savings bank rate based on this year's dividend.

The rates on the quarterly premium policies of the savings banks, of course, do not show so great an advantage over that of the other companies, but the net rates are believed to be the lowest rates for policies of similar amount attainable in any legal reserve company.

Fourth—The reduction of rates which the savings insurance banks offer has been made possible by marked changes in the system of doing business. The industrial companies through their solicitors have a house to house solicitation for business, and a weekly house to house collection of premiums, the compensation of the solicitors and collectors being directly dependent upon the amount of the business written and the premiums collected. The savings bank insurance law prohibited the banks from employing paid solicitors and collectors. It undertook to substitute for these unpaid agencies, and the business actually written by the banks has come mainly through such agencies.

Among these agencies are the following: United Shoe Machinery Co., Beverly; George E. Keith Co., Brockton; Fore River Shipbuilding Co., Quincy; Dennison Manufacturing Co., S. Framingham; Regal Shoe Co., Whitman; B. F. Sturtevant Co., Hyde Park; Commonwealth Shoe & Leather Co., Whitman; Boston Typothetae, Boston; Talbot Mills, North Billerica; American Hide & Leather Co., Lowell; F. W. Bird & Son, East Walpole; People's Institute, Boston; Wells Memorial Institute, Boston, and Women's Educational and Industrial Union, Boston.

Fifth—The amount of business done by the sav-

ings insurance banks, and the advantage in rates now offered, will be but a very small part of the achievement of the savings bank insurance movement. Its greatest success by far has been in its effect upon the industrial insurance companies.

When the abuses of industrial insurance—the terribly high cost to the policyholder, the huge expense rate and the forfeiture of policies—was called to the attention of the public, it was asserted by the industrial companies that their business was admirably managed, and that the high cost to the policyholder, and the apparently onerous provisions of the policies, were a necessary incident to the business. The lessening of these abuses since the savings bank system was inaugurated has been marked:

1. For a period of at least twenty years prior to the inauguration of the savings bank insurance movement there had been no reduction in the premiums of industrial policies. In the three years since the movement was started, industrial insurance companies' premiums have been reduced on an average of about 20 per cent, the first large reduction having been made as of January 1, 1907, after the plan was submitted to the Legislative Recess Insurance committee; the second as of July 1, 1909, after the system had been put into successful operation.

This reduction will soon result in an annual saving to the working people of Massachusetts alone of from \$1,000,000 to \$1,500,000; for the amount of industrial premiums collected by the companies in Massachusetts was, in 1908, \$8,062,389. A relatively small part of the premiums of that year had the benefit of the reduced rate, but as the average life of an industrial policy is less than four years, it will be seen that the saving to the working people, resulting from this reduction in rates in Massachusetts, will, in a few years, rise above \$1,000,000 annually.

The saving in Massachusetts represents, however, only a small part of the saving to the working people of America from the reduction now made. The total industrial premiums collected in the United States in 1908 was about \$90,000,000.

It will be but a few years when the saving effected on the volume of insurance represented by such premiums will be between \$10,000,000 and \$15,000,000 a year.

2. Another great change to the advantage of policyholders resulting from the inauguration of the savings bank insurance movement is the increase of the amount payable in case of the death of the insured within the first year after the policy is written.

For probably twenty years prior to the inauguration of the savings bank insurance movement, the policies of the leading industrial companies provided that in case of death within the first six months, only one-fourth of the face of the policy would be paid, and in case of death within the second six months, only one-half of the face of the policy would be paid.

The savings insurance advocates insisted that such provisions were in effect delusive, and in view of the fact that more than one-half of all industrial policies lapse within a year, the effect was to make the industrial insurance for an appreciable portion of the average time covered by the policy, not only twice as expensive as ordinary insurance, but indeed four or eight times as expensive.

The savings bank insurance policies provide that the full amount written in the policy shall be payable even in case of death immediately after the policy is written. Since the inauguration of the savings bank insurance movement, the industrial companies have made the full benefit of the policy payable in case of death six months after the policy is written, and one-half payable in case of death within the first six months.

3. For the last ten years prior to the inauguration of the savings bank insurance movement, the two leading industrial companies gave no cash surrender value until the end of twenty years after the date of the policy, and in case of lapse of policy, gave a small paid up value after three years, but denied to the insured the right to extended insurance.

The Savings Bank Insurance act provided that no policy should be forfeited after premiums covering six months had been paid, and that in the event that premium payments then ceased, the insured should have either a cash surrender value, paid-up insurance or extended insurance.

Since the inauguration of the savings bank insurance movement, the two leading industrial companies have changed their policies so as to give extended insurance after three years, and a cash surrender value after ten years.

Sixth—It is of course apparent that the great success of this movement in effecting such important reforms in the abuses of the industrial companies has made competition with them more difficult. The advantages over them in rates and terms which we had to offer when the movement started, so far as the policyholders are concerned,—have been lessened by half through the reforms which our movement led the companies to adopt. They claim now to have accepted the principle on which savings bank insurance rests,—namely, that the working people should be served in respect to life insurance by a social institution rather than by an exploiting business,—and have given some evidence of an intention to act upon it. It seems to us, however, that even if the industrial companies were conducted with a sincere desire to serve the people, that could not be the sole purpose of their organization; that a necessary incident, if not the purpose of the business, is the control by a few capitalists of a vast aggregation of savings drained from the working people of the whole country,—which presents dangers and develops abuses that cannot safely be ignored. No system of workingmen's insurance based upon such a foundation can secure the confidence of the working people. It is the aim of the savings bank insurance movement to counteract such danger by the necessary localization of the reserves in altruistic institutions as much as to reduce the burden of insurance premiums.

Far more has been accomplished by the savings bank insurance movement within the three years than even its most ardent supporters had dared hope for.

LOUIS D. BRANDEIS.

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PRIMARY ELECTION IN WISCONSIN

Madison, Wis.

What has been the effect of the direct primary upon voters, parties, party machines, candidates,