

**HISTORY OF THE BANKERS
LIFE ASSOCIATION OF DES
MOINES, IOWA**

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History of the Bankers Life Association of Des Moines, Iowa by National Association of Life Insurance Policy Holders

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NATIONAL ASSOCIATION OF LIFE INSURANCE POLICY HOLDERS

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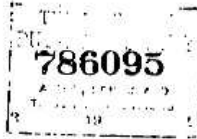
A review of the wonderful achievements of this famous institution showing the advantages to the members; the benefit of low costing insurance; illustrations and comparisons showing how millions of dollars have been saved to the members; the change to the legal reserve basis and its effect upon the members; the misrepresentations and misleading statements made by the officers and the agents to induce the members to exchange their low-costing certificates for high-priced legal reserve policies.

Illustrations showing the objectionable forms of policies issued by Legal Reserve Life Insurance Companies.

HOW LIFE INSURANCE SHOULD BE PURCHASED

Price, \$1.50

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HISTORY OF THE BANKERS LIFE ASSOCIATION OF DES MOINES, IA.

CHAPTER I.

Early History of the Association.

Back in the early '70s of the 19th century in the quiet town of Fairfield, Iowa, there lived a man by the name of George Temple, with his family.

Mr. Temple, being a banker and very well to do, was prominent in church and social circles.

It was at this time that there came to Fairfield an Episcopal minister by the name of Johnson. The Rev. Mr. Johnson did not move his family to Fairfield at the time he took up his church work there, but as the Temples were very hospitable people, Mr. Johnson made his home with them until such time as he could move his family there.

It was not long after this until the Rev. Mr. Johnson moved his family to Fairfield, and they lived in what was known as the old Knepp house. They lived there only a year or so when the Rev. Mr. Johnson took sick and died.

The Temples being his most intimate friends, on his death bed he told Mrs. Temple that he was one of 100 ministers who had joined in an agreement whereby upon the death of any one of them the surviving members were each to pay the widow of the deceased member \$10, and he asked Mrs. Temple to see to it that the ministers were notified regarding the payment of this money.

After the Rev. Mr. Johnson's death the ministers were notified and each one sent their contribution to the widow as agreed.

It was also agreed that where a vacancy occurred by the death of one of the members the same was filled by another minister. Thus it will be seen that each one of the 100 ministers were carrying \$990 of insurance protection for absolutely the net cost, there being no additional fees added to the mortality cost with which to pay managing expense, or to create cash or surrender values or so-called dividends.

In those days life insurance was a new thing to the average western layman and the bankers of the different towns were often solicited by the representatives of the eastern companies to act as their agents, and Mr. George Temple being a banker at Fairfield one of these companies endeavored to induce him to accept the agency for them.

In the early days mutual companies were not looked upon with favor from a substantial financial standpoint. Therefore, Mrs. Temple suggested to her husband that the bankers adopt a co-operative plan similar to that adopted by the ministers.

At this time Mr. Edward A. Temple, brother of George Temple, lived at Chariton, Iowa, and he was also a prominent and influential banker. He often came to Fairfield to visit his brother, and the minister's plan of insurance was for some time a home topic for discussion.

The Bankers' Association of Iowa held annual meetings, at which time important business matters were under discussion. For several years the mutual protective plan of insurance as adopted by the ministers was strongly considered at these meetings and it was finally decided to increase the amount of the death benefit under each certificate of membership to \$2,000 instead of \$1,000, which was adopted as a limit by the ministers. The members were afterward permitted to carry one, two or three certificates.

It was George Temple who suggested the guarantee fund system; that is, that each member be required to pay the association an amount equal to one dollar for each year of his age at the time he became a member for each \$2,000 certificate as a guarantee that he would not desert the organization. And from this the Bankers Life Association was evolved.

July 1, 1879, Edward A. Temple secured a charter, and thus the famous Bankers Life Association was established.

Record Established for Economy and Management.

Mr. Edward A. Temple was appointed President of the Association, which position he held until the time of his death, which was in February, 1909. During the thirty years that Mr. Temple managed the association a record was established for economy of management which is unparalleled in the annals of history. It may well be said that if there ever was one cent of the funds belonging to the members misappropriated Mr. Temple did not know it. For many years he drew no salary as president of the Association. At the time of his death, when the company had over \$456,000,000 of insurance in force, with annual premium income of almost \$5,000,000 his salary was only \$7,000 per annum.

The salaries now paid to some of the presidents of the Legal Reserve companies do not compare very favorably with the meager salary drawn by Mr. Temple, as some of these salaries are as high as \$50,000 a year.

The first year the association only secured fifty-eight members, but after that time it enjoyed an almost phenomenal growth.

For many years the only persons eligible for membership were bankers, the guarantee fund being based on the age of the insured at the time of entry to the association was always used as a standard for determining the amount to be paid by the insured and the assessments being collected quarterly were always based on a certain percentage of the guarantee fund.

There were four separate and distinct funds established.

First. The guarantee fund was created by the payment of one dollar for each year of the insured's age at the time he became a member for each \$2,000 certificate. This amount was held in trust by the association and paid to the designated beneficiary in addition to the amount of the certificate. This was also forfeited to the association should the insured discontinue his membership.

The benefit fund was derived by assessing the members a certain percentage of the guarantee fund to pay current death losses only.

For many years the amounts collected for the benefit fund were only small. In fact, during the lifetime of the association there were fourteen quarterly assessments which were never made. While the amounts collected for current mortality expense gradually increased during the early years, there was no material increase in the amounts of the assessments during the last twenty years of its existence.

The reserve fund consisted of all guarantee deposits which may have been paid in to the association by members who had allowed their certificates to lapse by the non-payment of assessments or other obligations required by the terms of the certificate; all interest accruing from all funds of the association; all gains, discounts and margins realized on sale of bonds and mortgages and on real estate taken under foreclosure or otherwise, and all unused surplus arising from the contingent fund and all other sources. This reserve was to be set apart as an emergency fund for the purpose of paying death claims in excess of ten to the thousand, and for the further purpose of advances for the payment of death losses when the benefit fund was exhausted.

The contingent fund was established by assessing the members a certain percentage of the guarantee fund to pay the expense of managing the company. This amount was collected semi-annually, payable in January and July.

A limit of 10 per cent of the guarantee fund was placed on the amount to be collected for managing expense.

During the early years the amounts collected for expense fluctuated from 5 to 10 per cent each year, yet during the later years the full 10 per cent was collected each year.

As the plan under which the Bankers Life Association was organized did not require the members to pay premiums in excess of the amounts required to pay current mortality and managing expense and in addition thereto a reserve fund as required by the American Table of Mortality it was known as an assessment association; the policy provided that after the reserve fund was exhausted the company could call for increased assessments sufficient to pay all mortality expense should the same be necessary.

There is no question that the assessment plan is the only plan which will

furnish pure, unadulterated life insurance at the smallest net cost to the policy holder.

The Legal Reserve system is based on an individual equity plan which requires each policy holder to pay sufficient money in addition to the current expense to create a reserve fund which will equal the face of the policy at the end of the possible lifetime of the insured.

The Bankers Life Association derived its reserve fund from the guarantee fund forfeited by lapsed members and the true interest earned on all the funds.

The association was changed to the Legal Reserve basis in November, 1911, yet on December 31, 1914, there were \$12,000,000 held by the company to the credit of the reserve fund and owing to the fact that this reserve fund is rapidly increasing each year and also that the insurance in force under the old assessment plan is rapidly decreasing the insurance under the assessment plan is becoming stronger each year.

The assessment plan of life insurance has always been the subject of severe criticism by the Legal Reserve companies. While Mr. Temple was manager of the association there was very little attention paid to these criticisms. His only aim seemed to be to see to it that the company was honestly and economically managed.

At the time the legal reserve companies were being examined by the Hughes investigating committee in 1905 and 1906 it was brought out in this investigation that the management of several of the Legal Reserve companies were making a family affair out of the companies. That is, they were taking care of their relatives. It was at that time Mr. Edward A. Temple issued his celebrated declaration that no relative of his would ever be connected in any way with the Bankers Life Association. Perhaps this is the greatest mistake he ever made, because it was always claimed that had some of his relatives been connected with the company they would never have permitted the present officers to change to the legal reserve basis.

Report of Examination Shows Splendid Financial Condition.

In order to show the splendid condition of the Association we will here publish extracts of an examination of the Association made by F. S. Withington, actuary and insurance examiner:

Des Moines, Iowa, June 16, 1906.

Hon. B. F. Carroll, Auditor of State, Des Moines, Iowa.

Sir: In accordance with your instructions of May 22, 1906, I commenced an examination of the condition and affairs of the Bankers Life Association of Des Moines, Iowa, and having this day completed the same, I beg to report as follows:

This association was organized July 1, 1879, and commenced business September 2, 1879, on the Mortuary Assessment plan, and is now operating under Chapter VII, Title IX, of the Code.

The original object of the association was to insure "Directors, officers and clerks connected with state, national, savings and private banks and trust companies and such other persons as the Board of Directors may approve." The above distinction has long been abandoned, however, and the membership made more general.

The affairs of the association are managed by a board of five directors, one new director being elected annually for a term of five years by the policy holders at their meeting at the home office upon the second Tuesday in April. Members vote in person, or by proxy, or by mail direct to the home office, or by depositing their ballots in one of the depository banks of the association; a representative of such bank acting as one of a board of counsellors, who may be appointed by the president of the association or elected by the members to receive the ballot. Ballots with notice of the annual meeting are sent to each member, and a new proxy on a postal card is usually sent with each notice and ballot.

The membership is limited to male persons between the ages of 21 and 50 inclusive.

Policies or "Certificates" are written for a fixed amount of \$2,000 of insurance. Not more than three such certificates may be issued to applicants aged 40 years or younger, and not more than two to those over 40 and not over 50 years.

Full medical examination is required in all cases, and the application must

have "the approval of an officer of, or employe occupying a position of trust in some banking institution."

Applicants deposit, on entrance, either in cash or their notes, a sum equal to \$1.00 for each year of their age for each \$2,000 certificate, for the "Guarantee Fund." They also pay a membership fee of one-half of that amount in cash for the first payment on the "contingent" or expense fund and 10 per cent annually upon the amount of the guarantee fund deposit, one-half of the latter being payable in January and one-half in July.

Mortuary assessments are levied pro rata by percentage on the guarantee fund deposit, and are payable quarterly in advance at any time during the months of January, April, July and October. The first assessment is payable in not less than two months after the date of admission.

The Guarantee Fund consists, as above stated, of \$1.00 for each year of age at entrance for each \$2,000 certificate. This may be paid in cash, or the member may give his note, payable in four equal installments, interest being charged on the unpaid portion of the notes at the rate of four per cent.

The amount of the said Guarantee Fund is paid to the beneficiary, in addition to the amount of the certificate, in case of death.

The Benefit Fund consists of the amount of pro rata assessments levied by the Board of Directors, as above described, and this is to be used exclusively for the payment of the face amount of the certificates after the death of the insured.

The Benefit Fund may be also increased by the transfer of any part of the Reserve Fund if found necessary to meet the death losses.

The Reserve Fund consists of all guarantee deposits which may have been paid in to the Association by members whose certificates have lapsed by the non-payment of assessments or other obligations required by the terms of the certificate; all interest accruing from all funds of the association; all gains, discounts and margins realized on sale of bonds and mortgages and on real estate taken under foreclosure or otherwise, and all unused surplus arising from the Contingent Fund and all other sources.

This reserve was to be set apart as an emergency fund for the purpose of providing for death losses in excess of one per cent per annum of the membership of the Association, and for the further purpose of advances for the payment of death losses when the benefit fund is exhausted.

The Contingent Fund consists of the membership fee of 50 per cent of the guarantee deposit, paid on entrance, and the expense dues of 10 per cent of the said guarantee deposit, before mentioned, and all monies collected for the purpose of defraying the expenses of the Association.

The following table shows the amount of assessments paid by members insuring at age 40, for mortuary and expense purposes during the past twenty years, per \$1,000 of insurance:

Year	Mortuary Assessments	Expense Assessments	Total
1886	\$4.00	\$1.20	\$ 5.20
1887	8.00	1.20	9.20
1888	8.80	1.20	10.00
1889	6.00	2.00	8.00
1890	6.00	2.00	8.00
1891	6.00	2.00	8.00
1892	6.00	2.00	8.00
1893	7.20	2.00	9.20
1894	7.20	2.00	9.20
1895	7.20	2.00	9.20
1896	6.40	1.00	7.40
1897	6.80	2.00	8.80
1898	6.80	2.00	8.80
1899	7.20	2.00	9.20
1900	6.80	2.00	8.80
1901	8.00	2.00	10.00
1902	7.00	2.00	9.00
1903	8.00	2.00	10.00
1904	8.00	2.00	10.00
1905	8.00	2.00	10.00

In addition to the above there was paid, as a guarantee fund, an amount of \$20.00 per \$1,000 at the same age during the first three years after issue of the certificate, this amount being, as above stated, added to the face of the amount of the certificate and payable at death. A membership of \$10.00 per \$1,000 was also paid on entrance.

This Association had on May 31, 1906, 136,178 policies or certificates in force, insuring a face amount of \$272,356,000. To this amount should be added the face amount of the guarantee fund, \$5,050,270, since the same is payable at death in addition to the said face amount. There was, therefore, a total of \$277,406,207 of insurance in force on the above date; this amount included no certificate on which the payments were overdue.

The following table gives the mortuary experience of the association for the past twenty years:

Year	Mean Amount at Risk	Losses Incurred	Per Cent of Actual to Expected Mortality	Per Cent of Insured Losses to Mean Amount at Risk
1886	\$ 12,048,000	\$ 62,000	43.1	.501
1887	14,657,000	104,000	58.8	.709
1888	18,168,000	106,000	48.6	.583
1889	22,104,000	104,000	39.3	.470
1890	26,645,000	160,000	49.0	.600
1891	32,086,000	184,000	46.3	.573
1892	38,956,000	214,000	44.8	.549
1893	46,207,000	326,000	55.5	.705
1894	54,333,000	354,000	50.7	.651
1895	66,847,000	374,000	43.4	.559
1896	80,576,000	488,000	46.7	.605
1897	93,796,000	588,000	48.1	.626
1898	107,853,000	638,000	44.9	.591
1899	122,117,000	808,000	49.7	.661
1900	136,311,000	900,000	48.8	.660
1901	151,511,000	1,008,000	48.5	.665
1902	169,150,000	1,052,000	44.8	.622
1903	189,096,000	1,250,000	47.1	.661
1904	211,047,000	1,528,000	51.1	.724
1905	238,303,000	1,578,000	46.4	.662
			Average....	47.8

It must be clearly understood that the last column is shown simply for the purpose of comparison, as it is absolutely without value for any other purpose.

The percentages of actual to expected mortality are based on the cost of insurance according to the Actuaries or Combined Experience Table of Mortality. These percentages have been computed by the secretary of the association, and having made thorough tests, I find them to be most accurate. They indicate a condition of vitality which I believe to be without parallel. In compiling the above table the amount of guarantee fund returned to the beneficiaries at death has not been included; this omission does not, however, affect materially the results shown. The extremely low death rate and the remarkably small fluctuation will be noted. I attribute this unusually healthy condition of membership in great part to the extreme care exercised in medical selection by competent and experienced medical examiners, but I believe it to be also due to the system of requiring recommendation of applicants by persons known to be responsible, thus insuring a membership of high quality and minimizing the moral risk. The strict enforcement of the provisions of the policy or certificate relating to temperance is also, in my opinion, a large factor in the production of the results shown above, since it has been demonstrated that the mortality among persons abstaining from the use of intoxicants is low.

An examination of the proofs of death and the applications shows the same care in the selection of risks indicated by the figures in the preceding statement. The same examination proved that all unquestioned claims are adjusted and paid with great promptness. The Association, in common with others organized on the same plan, is obligated to report in detail a list of