UNIVERSITY OF TENNESSEE

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Upon the request of the Committee on Graduate Study the under-signed have examined a thesis entitled A Study of Some Farmers' Cooperative Organizations in Tennessee presented by Thomas Lawson Robinson candidate for the degree of Master of Science in Agriculture, and hereby certify that it is worthy of acceptance.

B. E. Allred

G. D. Warber

Examiners.

A STUDY OF SOME FARMERS' COOPERATIVE ORGANIZATIONS IN TENNESSEE.

Special Coll A

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By

Thomas Lawson Robinson

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A Thesis submitted in partial fulfillment of the requirements of the University of Tennessee for the degree of Master of Science in Agriculture.

June 1928.

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CHAPTER I.

FARMERS' MUTUAL INSURANCE COMPANIES IN TENNESSEE.

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PART I

HISTORY, AND ANALYSIS OF PRESENT SITUATION IN TENNESSEE.

PART II

ORGANIZATION AND MANAGEMENT OF COMPANIES.

PART I.

HISTORY, AND ANALYSIS OF PRESENT SITUATION IN TENNESSEE.

PURPOSE OF THIS STUDY.

Farmers' mutual insurance companies in Tennessee have in many instances been very successful while some others have failed. This investigation was therefore undertaken for the purpose of studying the present condition of these companies with their strong and weak points; to make recommendations for improving their services to their present members; and to formulate plans by which new companies may be successfully organized with resulting benefits to farmers all over the state.

METHOD OF CONDUCTING THE STUDY.

The data for this study were obtained as follows: By personal visits to officials of the farmers' mutual insurance organizations now functioning; from questionnaires sent to the secretaries of the various companies; from the Annual Reports of the Tennessee State Department of Insurance and Banking; from publications of the United States Department of Agriculture; from literature issued by various state agricultural colleges; and by personal correspondence over an extended period with officials and well informed citizens.

HISTORY AND PRESENT STATUS OF MUTUAL FIRE INSURANCE IN THE UNITED STATES.

Mutual insurance is the oldest of any of the existing cooperative institutions.

The early forms of insurance, which was started in the old world, was purely mutual. About the Ninth Century, In England and other European countries, there existed organizations or associations of merchants and artisans, usually termed "guilds" and these were exercising various functions, one of which was relieving the distress of members from fire and other casualties.

In the various Teutonic countries the fire insurance function of the guilds was later assumed by organizations called "brandguilden" which were in effect mutual fire insurance associations. These formerly existed in England also, but appear to have died out there long before the great London fire which occurred in 1666.

The brandguilden were succeeded in part in Germany and several other European countries by public institutions which were in the nature of state insurance organizations, sometimes carried on by the entire nation, and sometimes by a province or a municipality. These state institutions are of course in a sense cooperative in principle since they are not operated for profit. But in all these countries mutual fire insurance companies have also continued, and are in existence today.

Also the first fire insurance companies of any kind organized in the United States were mutual companies, the first being organized at Charleston, South Carolina, in 1735 and the second, the "Philadelphia Contributionship"

formed February 18, 1752, of which the great patriot Benjamin Franklin was a founder. This company had some unfavorable experiences and decided that it would no longer insure houses which had trees in front of them, because these made it more difficult to fight a fire. Consequently in 1786 the "Mutual Assurance Company" was organized to insure houses with trees in front. Both of these companies are still in existence and doing business.

Following this there were numerous fire insurance companies organized, both mutual and for profit, in various parts of the United States.

EXTENT OR VOLUME OF MUTUAL FIRE INSURANCE IN THE UNITED STATES IN 1927.

It has been impossible to compile data on the total volume of business done by all the mutual fire insurance companies in 1927, but Mr. Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies, in his annual report for 1927 reported the following totals for the 1391 companies who had responded to his request for information:

Insurance in force	$24,482,896,307
Assessments, premiums, and miscellaneous income	245,887,707
Losses	62,218,188
Re-Insurance paid	9,477,124
Premiums and assessments refunded to policyholders	10,569,285
Dividends to policyholders	20,401,538
Assets	161,662,020
Liabilities	82,882,251
Surplus	89,157,894

Cooperative insurance associations, commonly referred to as mutual insurance companies, are now an important phase of the agricultural cooperative movement in the United States. There are, according to a recent estimate, 1,950 farmers' mutual fire insurance companies carrying risks that amount to approximately $10,000,000,000. There are, in addition, about 40 windstorm insurance companies carrying risks estimated at $2,000,000,000, also 30 hail insurance companies, and 25 livestock insurance organizations. The volume of risks carried by the hail insurance companies is large. The livestock insurance companies, however, are relatively unimportant as measured by volume of risks carried. Recently a new type of farmers' mutual insurance company was developed, namely the automobile insurance company. Four such companies were operating at the close of 1926. All of these associations were located in the Middle West. One company was operating in eight States. These companies furnish insurance against fire, theft, collision, property damage, and injury to persons.

It will be noted from the map that farmers' mutual insurance is now rather generally available to all farmers of good standing among their fellows, in all states outside of the Cotton Belt and certain of the Mountain states. In the southern and mountain states only a relatively small number of such companies are in operation, and these are said to fall far short of covering the field.

The average annual cost of insurance in farmers' mutuals for the United States as a whole during the past five years has been approximately 26 cents per $100.00

The oldest companies of this class have passed the century mark, but the most rapid increase in such organizations in the United States occurred

Map No. I

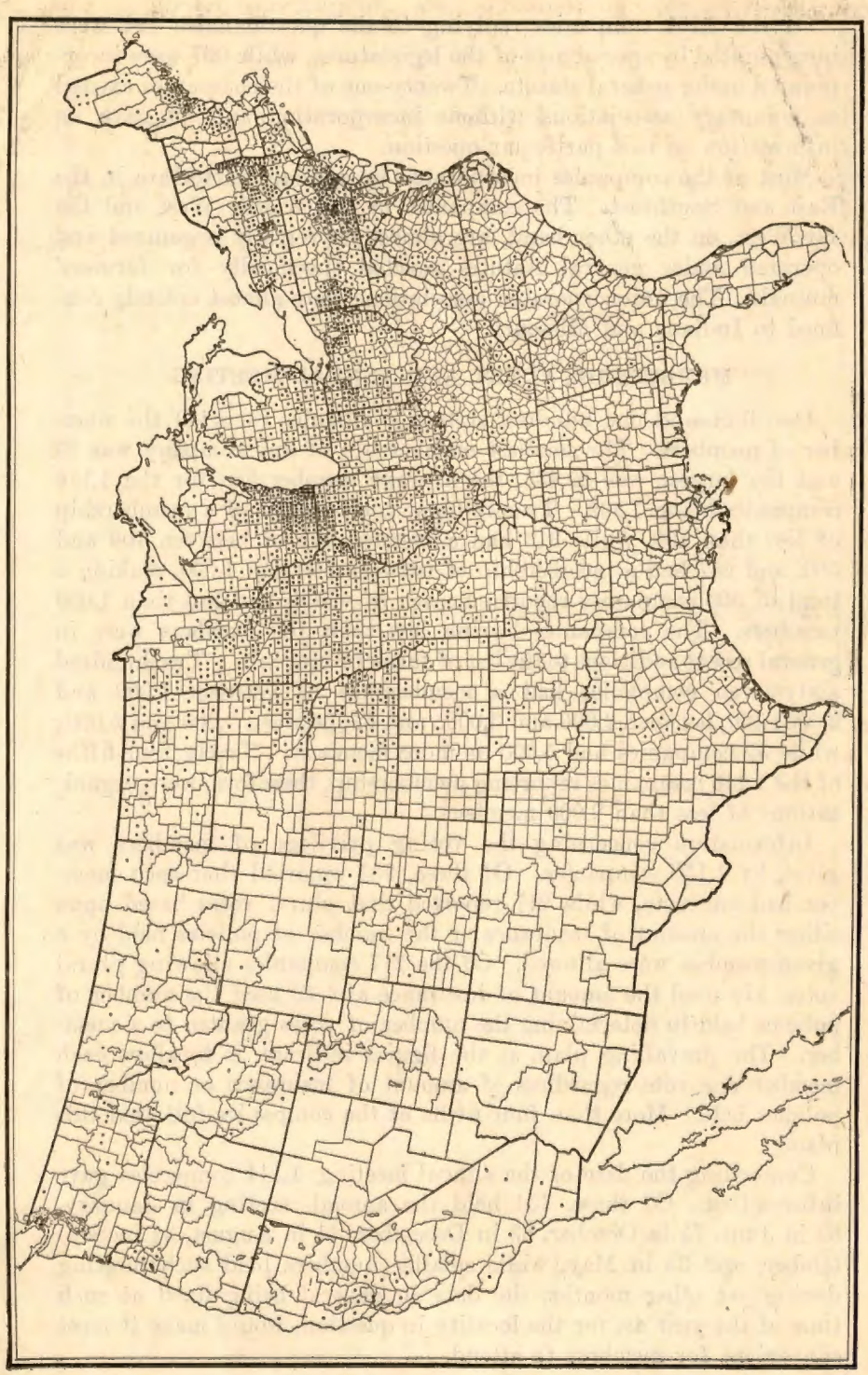


FIG. 1.—Farmers' mutual fire insurance companies. Each dot represents a company. - 1919

between 1875 and 1900.

Some one has said, "Probably the first insurance policy was formed (as a mutual) when Adam and Eve took time out and put up a barricade of rocks in front of the cave in which they had taken up their abode, so that they might be protected against the attacks of the pre-historic animals of the time. The premium they paid was the effort that it took to move the rocks from where they were to where they wanted them. What might have happened to each of us, and to the human race, if Adam and Eve had neglected to take out that first insurance policy?"

HISTORY AND PRESENT STATUS OF FARMERS' MUTUAL FIRE INSURANCE IN TENNESSEE.

One of the most successful forms of rural cooperation in Tennessee at the present time is that of farmers' mutual fire insurance. Few men, even among farmers themselves, are aware of its quantitative or relative importance. Many, therefore, may be surprised to learn that in 1926 there were 34 county farmers' mutual fire insurance companies in Tennessee. Thirty of these companies making reports to the State Department of Insurance carried a total amount of insurance of $51,841,125. The property on which this insurance was written had a value of approximately $74,016,333 which is 59% of the value of all the insurable farm property in the counties where the associations are located. The annual saving to the farmers through this form of cooperation can be gotten from the cost figures to be found on succeeding pages.

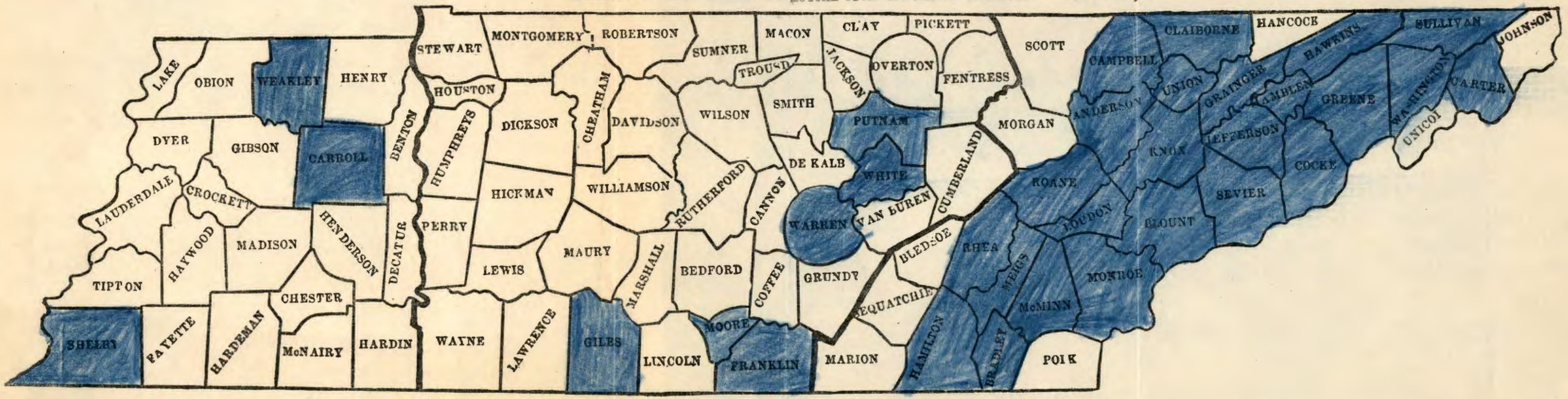
The question of fire insurance is always one of vital consequence to our commercial life. Fire insurance, in its initial conception, was "indemnity against loss." It has now become, in addition, a basis of credit.

It is, therefore, closely allied with all business interests whether rural or urban. Particularly is this true with respect to securing loans on farms where, in most cases, banks or other agencies making the loans require the farmer to have his property insured and the policy consigned to them as collateral.

The map below shows the location of the farmers' mutual fire insurance companies in Tennessee.

Map II.

LOCATION OF FARMERS' COUNTY MUTUAL FIRE INSURANCE COMPANIES March 15, 1928



It will be seen from the above map that East Tennessee has, by far, the larger number of farmers' mutual insurance companies of the state. They are, furthermore, concentrated along the eastern edge of this division. Just why this is the case is cause for additional study of the problem.

DATE OF ORGANIZATION OF FARMERS' MUTUAL FIRE INSURANCE COMPANIES NOW IN EXISTENCE IN TENNESSEE.

Table No. I.

Name of Company	Location	Yr. of Organization
Hawkins County	Rogersville	1894
Greene "	Greeneville	1896
Sullivan "	Blountville	1896
Washington "	Jonesboro	1898
Giles "	Pulaski	1900
Loudon "	Loudon	1902
Cocke "	Newport	1905
Carroll "	McKenzie	1907
Carter "	Elizabethton	1907
McMinn "	Athens	1908
Hamblen "	Morristown	1909
Jefferson "	Dandridge	1909
Warren "	McMinnville	1910
Monroe "	Madisonville	1912
Hamilton "	Chattanooga	1912
Blount "	Maryville	1913
Grainger "	Rutledge	1913
Knox "	Knoxville	1913
Sevier "	Sevierville	1913
Union "	Maynardsville	1913
Bradley "	Cleveland	1914
Putnam "	Cookeville	1914
Anderson "	Clinton	1915
Roane "	Kingston	1915
Campbell "	La Follette	1916
Claiborne "	Tazewell	1916
Franklin "	Winchester	1916
Meigs "	Decatur	1917
Rhea "	Dayton	1918
Shelby "	Cordova	1918
White "	Sparta	1923
Moore "	Lynchburg	1924
Weakley "	Gleason	1928

NUMBER OF MEMBERS IN COUNTY MUTUAL FIRE INSURANCE COMPANIES IN TENNESSEE (1926)

Table No. II

Rank	County	Approx. No. Members	Rank	County	Approx. No. Members
1	Greene	3006	15	Louden	789
2	Knox	3000	16	McMinn	750
3	Sumner	3000	17	Hamblen	700
4	Washington	2630	18	Hamilton	700
5	Carroll	2000	19	Warren	700
6	Sullivan	1960	20	Cocke	645
7	Carter	1500	21	White	425
8	Jefferson	1374	22	Rhea	316
9	Sevier	1200	23	Campbell	250
10	Blount	1000	24	Franklin	250
11	Bradley	1000	25	Meigs	217
12	Hawkins	1000	26	Shelby	200
13	Monroe	800	27	Moore	66
14	Putnam	800	28	Roane	35
Total membership of those reporting 30,313; average 1,083					

According to Bulletin #176 of the United States Department of Agriculture published in 1919, one thousand, one hundred and sixteen companies located throughout the United States had an average membership of 1,532. Since the average number of members in Tennessee mutuals is 1,083, we thus see that the average mutual fire insurance company of this state is approximately 2/3 the size of the average for the United States taken as a whole.

According to New York Bulletin 435, issued December 1924 by Cornell University, that state had an average of 2.86 companies per county with an average membership of 2500. With only one company per county in Tennessee having an average of 1083 policies, we see that there is yet much room for Tennessee mutuals to increase their membership.

PER CENT OF TENNESSEE FARMS COVERED BY MUTUAL INSURANCE.

Table No. III

Rank	Location of Mutual Cos.	No. Farms 1925	% of Farms Covered by Mutual Ins. 1926	Rank	Location of Mutual Cos.	No. Farms 1925	% of Farms Covered by Mutual Ins 1926
1	Washington	3194	82.3	17	Warren	2651	26.4
2	Knox	4106	70.6	18	Putnam	3129	25.6
3	Sumner	4535	* 66.2	19	Meigs	908	23.9
4	Bradley	1648	* 60.7	20	Cocke	2793	23.1
5	Loudon	1308	* 60.3	21	White	2014	21.1
6	Jefferson	2356	* 58.5	22	Rhea	1587	19.9
7	Sullivan	3378	58.0	23	Roane	1783	19.6
8	Carter	2782	* 53.9	24	Campbell	2035	12.3
9	Greene	5724	52.5	25	Franklin	2226	11.2
10	Carroll	3975	* 50.3	26	Moore	789	8.3
11	Hamblen	1493	46.8	27	Shelby	3238	2.8
12	Sevier	3238	37.1	28	Anderson	No data	No data
13	Blount	2909	34.4	29	Claiborne	"	"
14	McMinn	2481	30.2	30	Cumberland	"	"
15	Hamilton	2539	27.6	31	Grainger	"	"
16	Hawkins	3651	27.4	32	Union	"	"
					Average		31.5

* Writes policies outside the home county; hence the percentages shown do not represent their local per cent average.

A study of the per cent of farmers in Tennessee that carry insurance in a mutual company shows some striking contrasts. For instance, Washington County Mutual has 82.3% or more than 4/5 of the farmers of that county carrying insurance policies in its organization while Sullivan County, with a company two years older, has only 58%, or a little over 1/2 the farmers of that county, with policies in their organization.

As can be seen from the footnote in connection with Table No.III, the following counties write policies outside the home county: Bradley, Carter, Carroll, Jefferson, Loudon, and Sumner. Of those counties remaining who insure only in the home county, there is a general correlation between the age of the company and the per cent of the farmers who have mutual policies in these respective counties. In general, the longer a company has been in existance, the greater is the per cent of farmers in the territory served who have their insurance in a mutual organization. An average of 31.5% of the farmers who have access to a local county insurance company in Tennessee, avail themselves of the opportunity to take advantage of this economical form of insurance.

Mr. R. W. Bartlett, on Page 20 of Bulletin No. 435, issued by Cornell University on "The Organization and Development of Cooperative Fire Insurance in New York," states that in 1923 it is estimated that 90% of the insurable farm property in that state was written by cooperative companies.

RECENT GROWTH OF FARMERS' MUTUAL FIRE INSURANCE COMPANIES IN TENNESSEE.

From the last 15 Annual Reports of the Tennessee Commissioner of Insurance the table given below has been compiled:

Year	No. of Companies	Year	No. of Companies	Year	No. of Companies
1913	20	1918	32	1923	34
1914	23	1919	32	1924	34
1915	26	1920	32	1925	35
1916	29	1921	32	1926	33
1917	30	1922	32	1927	32

Table No. IV.

From Table IV we see that there were twenty farmers' mutual fire insurance companies doing business in Tennessee in 1913. For the five-year period following, this number gradually grew until there were thirty-two in 1918. For five years, then, the number of organizations remained constant at thirty-two.

In 1923, both White and Cumberland Counties effected a mutual company which made the number in Tennessee thirty-four.

In 1924, Wilson County's organization was taken over by the Sumner County association but Moore County started a company the same year thus keeping the number still at thirty-four.

In 1925, a colored farmers' mutual fire insurance company was licensed to do business in Carroll County which brought the number of mutuals up to thirty-five, the largest number in Tennessee at any one time in its history, so far.

The above mentioned colored mutual, however, did not renew its license in 1926 and the Cumberland County company ceased operations during the same year. The business of the large Sumner County mutual was liquidated during 1927, thus leaving thirty-two active insurance mutuals for farmers in operation in Tennessee, December 31, 1927.

AVERAGE AMOUNT OF RISKS IN FORCE.

From a study made by officials of the United States Bureau of Agricultural Economics and published in December 1924, under the title of "Farmers' Mutual Fire Insurance in the United States", we find the following facts as to size of mutual companies in Tennessee: thirty-four Tennessee companies on December 31, 1921, had $53,000,000 of risks in force. This is an average of $1,558,823 per company. On the same date 1952 companies throughout different parts of the United States had in force enough total insurance to average $4,308,913 worth of risks to the company. In other words, the average size per company in Tennessee is only 36%, or a little over 1/3, the size of the average company of the United States taken as a whole and including Tennessee. The average for the eight East and West South Central States was $1,875,000. Hence Tennessee's companies are not as large as those of her neighboring states. At the close of business in December 1926, twenty-nine farmers' mutual companies in Tennessee averaged $1,594,342 worth of risks per company which is only a slight gain over the average size five years previous.

INCREASE IN AMOUNT OF INSURANCE IN FORCE 1914-1926.

Table V shows the increase in the amount of insurance in force as given by the same twenty-one companies in their annual reports on amount of business in force at the close of the year's business, 1914, 1920, and 1926, respectively. It should be kept in mind, however, that the figures given do not represent the grand total of all farmersI mutual insurance in force for each of the above years for the reason that some

counties made no report on this item for all three of these years. Other companies ceased operating and still other new companies were organized during this period. Hence, in order to get a fair idea of the comparative rate of growth of insurance business, only those organizations reporting for each of the three years mentioned are included.

By comparing the total amount of insurance in force at the close of business in 1914 and 1920 we note that there was an increase of 108.8 per cent. In other words, slightly over 16½ million dollars worth of insurance was in force in 1914 and this reached $34,581,814 or more than doubled by 1920.

From 1920 to 1926 the increase in the amount of total insurance in force was less marked, being only 21.8 per cent for this five-year period.

Every one of the 21 companies listed in the following table had an increase in their business for the first six-year period and only three failed to show a similar gain during the last six-year period. One of these, Sumner County, was already on the verge of collapse. The other two were Carroll and Hamblen.

Carroll County has had about the same amount of total annual insurance in force for several years. An average of their business for 1914 - 1926, inclusive, shows it to have been $1,545,264.

GROWTH OF TWENTY-ONE FARMERS' MUTUAL INSURANCE COMPANIES IN TENNESSEE.

Table No. V.

Location of Company	Net Amount of Insurance in Force at End of Year		
	1914	1920	1926
Blount County	384,355	1,374,580	1,715,794
Bradley County	56,565	1,174,038	1,950,725
Carroll County	1,541,231	1,697,038	1,645,723
Carter County	446,705	1,898,754	2,232,472
Cocke County	357,974	439,159	734,747
Giles County	289,865	919,470	2,000,000
Grainger County	149,997	405,909	493,748
Greene County	1,442,600	2,215,610	3,616,023
Hamblen County	630,136	1,193,064	903,549
Hawkins County	823,000	1,027,000	1,473,000
Jefferson County	490,290	1,429,245	1,874,506
Knox County	837,026	3,889,808	5,754,092
Loudon County	568,565	1,122,240	1,546,122
McMinn County	100,273	531,555	1,124,180
Monroe County	498,435	1,270,935	1,271,375
Putnam County	65,000	741,580	996,840
Sullivan County	1,199,951	2,040,565	3,383,708
Sumner County	6,155,487	8,179,190	4,997,336
Union County	106,425	787,236	874,332
Warren County	253,756	497,722	943,356
Washington County	1,161,918	1,749,113	2,604,927
Totals	16,559,534	34,581,814	42,136,555
Percentage Increase	1914-1920...108.8%		1920-1926...21.8%

THE PRINCIPLES ON WHICH FARMERS' MUTUAL INSURANCE COMPANIES ARE FOUNDED.

It is not difficult to understand the operation of a farm mutual if the principles upon which it is founded and operated are understood. If we do not lose sight of the fact that it is a very simple method of relieving misfortune by the contributions of the many on a proportionate basis, we will have little trouble. Most of us, of course, have known of fires where there was no insurance and where donations have taken care of the misfortune, or at least helped to relieve it. A farm mutual insurance company is simply an organized method of doing that very thing. The spirit of mutual insurance has never been mercenary, but always mutually helpful. Sometimes the methods have been crude. Sometimes exploiters have slipped in. Sometimes the real spirit of mutual insurance has not been inculcated into the organization or the membership. If mutual insurance is put up as something cheap and that idea is held out to the people, then the company cannot do its best.

At the present time farmers mutual fire insurance companies in the United States are exempted from the payment of all Federal taxes. The theory on which this exemption is based is that they are organized for the purpose of rendering relief to the unfortunate and that they should not be taxed for this privilege; and also that any taxes paid must necessarily detract that much from their ability to render such relief.

The following quotation is from Page 5 of E. G. Nourse's book on Agricultural Economics: "Certainly the call for state aid wails loud in the land whenever the farmer believes himself to be losing ground in his contest with other classes. Only the form of the demand changes with the

times; from internal improvements to cheap money, from extensive bureaus of agriculture to rural credits. La Sale's theory of Konjunctur finds a very pretty illustration when the farmer admits that the risks of modern commercial agriculture are too much for him to meet single-handed. To only a very small extent has he underwritten them through private agencies of equalization, such as hail insurance companies. He seems more keen by far to socialize them through state activities paid for by taxes upon public utility corporations or by custom duties. Some of the proposals soberly propounded by cotton planters after the outbreak of the World War were calculated to take even a socialist's breath."

The farmers' mutual insurance companies of Tennessee are examples of the way in which farmers can and have met three classes of risks, in a safe and economical manner, through their own private efforts and initiative. These risks are fire, lightning and tornado. The success of these companies is a fine example of what farmers can accomplish for themselves by a little well directed effort, and should inspire them to use similar measures toward the solution of some of their other economic and social problems.

The year when the assessment is highest is usually the year when the mutual has rendered the greatest service -- and yet that is the time when most members complain and withdraw from the company. We find that almost invariably following a windstorm, etc. when an unusually high assessment is necessary that this is followed by extensive withdrawals.

Yet the service actually rendered is usually based in the same ratio as the amount paid in losses. Most farmers are not able, or willing, to pay the high tornado rates which stock companies charge, hence most of the community would have been without such coverage except for the mutual.

If the ideal of rendering service to the unfortunate is the one on which it is actually organized, then it is on such occasions as this that the company should be looked upon most favorably.

Insurance for farmers is now being "discovered" by those interested in improving farm conditions. On March 5, 1928, Senator Bruce of Maryland introduced and secured the passage of a Senate Resolution which requested Secretary of Agriculture Jardine to report "whether the insurance of the farmer by the federal government against draughts, storms, and other hazards beyond his control would be consistent with sound governmental and economic policy and on what conditions such insurance should be issued."

The resolution asked that the report be submitted at the beginning of the second session of the present congress.

COST OF INSURANCE IN FARMERS' MUTUAL COMPANIES.

In order to more accurately measure the efficiency, or lack of efficiency, of farmers' insurance companies in Tennessee, we should compare them with the average organization of like character for the country as a whole.

The present number of farmers' mutual fire insurance companies in the United States is nearly 2,000. The total amount of insurance carried by them exceeds $9,500,000. The average annual cost during the five-year period 1917-1921 was approximately 26 cents per $100. For the five years 1922-1926, the average cost in Tennessee Mutuals was 58.7 cents per $100. We thus see that Tennessee costs were more than double the average for the United States as a whole. This apparent higher cost is really not so

unusual as it may at first appear when it is recalled that so large a per cent (57%) of the Tennessee companies' policies include windstorm protection in their coverage and only 15% of the United States average give combined protection.

The following table shows, by states, the average annual cost per $100 per year for the five-year period, 1917-1921, inclusive. It includes what the company pays out for losses and the expense of operation. It will be noticed from this table that the average annual cost of insurance per $100 per year in Tennessee for the five-year period referred to was 43 cents. Thus Tennessee is seen to rank only sixth from the bottom, or most expensive, of 42 states from which data were obtainable. Since the average for the United States as a whole for the same period was 26 cents per $100 of insurance in force, it can readily be seen that Tennessee has a great deal of room for improvement.

A close examination of Table VI as to how insurance cost varies in different sections of the United States. The East South Central group of states, to which Tennessee belongs, has a higher average cost of insurance, namely, 43 cents per $100, than any other group of states. This is due perhaps to the less marked development of farmers' mutual insurance in the Southern states. It should be noted also in this connection that a large part of the land in this section has been formed under the tenant and cropping systems with a large percentage of the owners of the land living in cities and towns. This condition, in turn, may be traced to the early plantation system and the use of slave labor on the farm prior to the Civil War.

Another factor retarding the development of farmers' mutual insurance companies in Tennessee and the surrounding territory was the wrong

type of promotion used in introducing the service in these sections. Promoters obtained special charters from the several legislatures with authority to organize state mutuals operating through branches in the various counties. These so-called "State Mutuals" all failed with the exception of N$_o$rth C$_a$rolina; hence, it has been found far more difficult to organize local independent county companies in the southern states than in states where no such history is to be found.

Next let us consider another possible reason why the cost of mutual insurance in Tennessee is above the average for all the states.

Taking the data for a single year, 1921, as given in the following table, will give us, at least one of the possible reasons why our Tennessee companies rank so low in efficiency.

Tennessee, as will be noted, used 37.4 per cent of its total disbursements for operating expenses. Since the average for all the states used 29 per cent of their total disbursements for operating expenses, it means that Tennessee had an amount of disbursement funds used for operating expenses amounting to 29 per cent more than the average state of the United States. Obviously then, Tennessee mutuals are using too much of their total disbursements for the payment of operating costs.

The five-year (1922-1926) average of the operating expenses of Tennessee County Mutual Insurance Companies shows this item varied from 1/2 of a cent per $100 of insurance in Anderson County to 50 cents per $100 of insurance in Sumner County. By applying the methods used in the best county companies, those with high operating costs may greatly reduce this item of expense.

COMPARATIVE COST OF MUTUAL INSURANCE IN THE VARIOUS STATES.

Table No. VI

Rank	Geographical Division and State	Total Cost per $100 - Average for 1917-1921 Inclusive.	% of Total Cost That is Represented by Operating Expensew 1921 only.	Rank	Geographical Division and State	Total Cost per $100 - Average for 1917-1921 Inclusive.	% of Total Cost That is Represented by Operating Expenses 1921 only.
	U.S. Average	$0.26	29.0		S. Atlantic	$0.35	32.4
	New England	0.37	38.5		E.S. Central	0.43	35.8
	Middle Atlantic	0.28	19.9		W.S. Central	0.42	20.3
	E.N. Central	0.26	30.7		Mountain	0.26	35.8
	W.N. Central	0.22	28.8		Pacific	0.32	46.3
1	Alabama	0.06	no data	25	Rhode Island	0.30	no data
2	Utah	0.10	no data	26	Missouri	0.31	16.1
3.	Nebraska	0.17	34.2	27	Connecticut	0.32	45.6
4	S. Dakota	0.17	20.1	28	Arkansas	0.34	23.1
5	Wisconsin	0.18	18.2	29	Maryland	0.34	35.0
6	Minnesota	0.19	25.1	30	N. Hampshire	0.34	25.0
7	Wyoming	0.19	no data	31	New Jersey	0.34	18.9
8	Illinois	0.22	34.2	32	Delaware	0.35	61.4
9	Ohio	0.22	15.6	33	Oregon	0.36	50.5
10	N. Dakota	0.23	30.9	34	Oklahoma	0.38	12.9
11	Idaho	0.24	33.3	35	Michigan	0.41	42.9
12	Indiana	0.24	16.9	36	Georgia	0.42	27.8
13	Iowa	0.24	28.2	37	Tennessee*	0.43	37.4
14	Virginia	0.24	26.9	38	Kentucky	0.45	33.7
15	Pennsylvania	0.25	20.0	39	Maine	0.45	23.3
16	W. Virginia	0.26	22.6	40	Massachusetts	0.46	55.4
17	Colorado	0.28	40.8	41	Texas	0.46	20.8
18	California	0.29	46.2	42	S. Carolina	0.51	35.9
19	Kansas	0.29	43.2	43	Arizona	no data	no data
20	New York	0.29	20.0	44	Florida	" "	" "
21	N. Carolina	0.29	25.9	45	Louisiana	" "	" "
22	Vermont	0.29	no data	46	Mississippi	" "	" "
23	Washington	0.29	35.3	47	Nevada	" "	" "
24	Montana	0.30	24.0	48	N. Mexico	" "	" "

A comparison of the cost per $100 of insurance in force in the various county mutuals of Tennessee from 1922 up to and including 1926 is shown in Table VII. A glance at the table is sufficient to show that a wide variation exists between the different counties. The range is from 22.2 cents in Anderson County to $1.20 in Sumner County. The weighted five-year average for all thirty-five counties reporting during this period is 58.7 cents. Only nine companies exceeded the above average cost-figure while 26 of them operated and paid losses at a cost below the above average.

It should be kept in mind that approximately 57% of the Tennessee mutual companies insure against windstorm, in addition to fire and lightning and that this protection is included in the above cost-figures, so far as these companies are concerned.

In a study made by Cornell University and published in January 1925 in "Farm Economics" we find a table on Page 236 which gives the total disbursements per $100 of insurance (losses and expenses) of sixty-nine county cooperative assessment companies for 1910-1922 inclusive. The total cost in these organizations, which are similar in type and manner of operation to the Tennessee mutuals, was found to be 28 cents per $100.00 of insurance. Tennessee's costs of 58.7 cents is thus seen to be more than twice that of the New York companies.

AVERAGE COST OF FARMERS' MUTUAL FIRE INSURANCE IN TENNESSEE.

The cost figures for single counties with small sums of insurance vary too much to be of significance when taken for a single year. Less marked variation in the average cost of insurance will be found, of course,

TOTAL COST PER $100 OF INSURANCE
(Average five years 1922-1926)

Table No. VII

Rank	County	No. Years Reporting	Total Average Annual Cost.	Cost per $100 Insurance	
				Losses Paid	Operating Exp.
1	Anderson	2	$0.222	$0.172	$0.05
2	Moore	2	0.232	0.0026	0.23
3	Cocke	5	0.249	0.165	0.084
4	Giles	2	0.259	0.22	0.039
5	Sullivan	5	0.265	0.191	0.074
6	Grainger	5	0.269	0.148	0.121
7	Franklin	4	0.271	0.193	0.078
8	Washington	5	0.300	0.162	0.138
9	Greene	4	0.307	0.199	0.108
10	Hawkins	3	0.307	0.302	0.005
11	Warren	5	0.323	0.196	0.127
12	Loudon	4	0.333	0.253	0.080
13	Sevier	2	0.348	0.294	0.054
14	McMinn	5	0.359	0.255	0.104
15	Blount	5	0.370	0.224	0.146
16	Knox	3	0.376	0.224	0.152
17	Union	4	0.378	0.26	0.118
18	White	2	0.41	0.347	0.063
19	Campbell	3	0.457	01364	0.093
20	Hamilton	3	0.46	0.311	0.149
21	Jefferson	5	0.474	0.369	0.105
22	Carter	4	0.477	0.398	0.079
23	Putnam	4	0.495	0.404	0.091
24	Cumberland	1	0.509	0.284	0.225
25	Roane	5	0.565	0.458	0.107
26	Meigs	4	0.57	0.483	0.087
27	Monroe	1	0.595	0.439	0.156
28	Bradley	5	0.666	0.321	0.345
29	Carroll	5	0.669	0.476	0.193
30	Claiborne	4	0.702	0.638	0.064
31	Rhea	3	0.734	0.467	0.237
32	Wilson	2	0.802	0.652	0.050
33	Hamblen	5	0.834	0.651	0.183
34	Shelby	5	1.168	0.853	0.315
35	Sumner	5	1.206	0.699	0.507
	Weighted Average		0.587	0.388	0.199

in those counties where the total insurance in force in the county is relatively large.

The total amount paid for losses by 31 companies reporting on this item in their 1926 annual statements to the State Department of Insurance was $140,528, and the expenses of operating were $100,194, making the total cost of this insurance $240,722. The average cost per $100 of insurance in all these companies was 59.3 cents.

The general weighted average cost of mutual insurance in 34 companies of Tennessee from 1913, or the date of their organization if organized later, up to and including 1926 was 40 1/2 cents per $100 of insurance.

The fact that the above average cost covered not only fire and lightning protection on buildings but also losses on livestock, feeds, hay and grain in barns and in stacks, and in some cases hail and windstorm protection, should be remembered when making comparisons. About 57% of all the farmers' mutuals in Tennessee write policies giving combined protection. This fact makes the average of 40 1/2 cents per $100 for the state as a whole all the more remarkable when compared with the rates that farmers without mutual organizations are obliged to pay.

OPERATING EXPENSE PER $100 INSURANCE.

From Table VIII it will be seen that the Hawkins Company has had the lowest operating expense per $100 of insurance, it being only 1/2 of a cent on the average for each of the three years reported out of the last five annual statements sent in to the State Department of Insurance. The lowest cost in companies reporting each of five years was 7.4 cents in the Sullivan Company and the highest for any company was 50.7 cents in Sumner County. The weighted average for all the 35 companies was 19.9 cents, which,

as will be noted in Table VIII, includes reports of companies varying from one to five years' business operations. In New York state, 69 similar organizations had a 13-year average operating expense of 5.4 cents per $100 of insurance.

OPERATING EXPENSE PER $100 of INSURANCE.

Table No. VIII.

Rank	Company	No. Years Reporting	Operating Expenses	Rank	Company	No. Years Reporting	Operating Expenses.
1	Hawkins	3	$0.005	19	Union	4	$ 0.118
2	Giles	2	0.039	20	Grainger	5	0.121
3	Anderson	2	0.05	21	Warren	5	0.127
4	Sevier	2	0.054	22	Washing-ton	5	0.138
5	White	2	0.063	23	Blount	5	0.146
6	Claiborne	4	0.064	24	Hamilton	3	0.149
7	Sullivan	5	0.074	25	Wilson	2	0.150
8	Franklin	4	0.078	26	Knox	3	0.152
9	Carter	4	0.079	27	Monroe	1	0.156
10	Loudon	4	0.080	28	Hamblen	5	0.183
11	Cooke	5	0.084	29	Carroll	5	0.193
12	Meigs	4	0.087	30	Cumber-land	1	0.225
13	Putnam	4	0.091	31	Moore	2	0.230
14	Campbell	3	0.093	32	Rhea	3	0.267
15	McMinn	5	0.104	33	Shelby	5	0.315
16	Jefferson	5	0.105	34	Bradley	5	0.345
17	Roane	5	0.107	35	Sumner	5	0.507
18	Greene	4	0.108	Weighted Ave.			0.199

In Tennessee Farmers' Mutual Fire Insurance Companies, a majority of the persons directly carrying on the business devote only a small part of their time to this work. Officers of these companies often work for less than their actual worth, as measured by business standard of other corporations. In many companies, the farmer-directors inspect the risks and appraise new risks at times when they are not busy with their farm work. They can, therefore, afford to work for less compensation than would be necessary if they had no other source of income.

Tennessee mutual companies ordinarily have little or no reserve funds. This may have greater tendency to cause them to economize in management expense than would be the case if they had a large surplus. Only the following companies reported making any effort to maintain a reserve: Blount, Campbell, Jefferson, Monroe, and Roane Counties.

COST OF INSURANCE IN COMPANIES COVERING DIFFERENT SIZED AREAS (Average of 14 years)

Table No. IX.

Extent of Territory	Number Companies	Average Cost of Insurance per $100.
Home county only	28	$0.376
Home and Adjoining Counties	5	0.386
Sumner County (Insures in 17 counties)	1	0.587

From the above table it would seem that the nearer the unit of area covered approaches a county, the lower is its insurance cost, as twenty-eight companies insuring in their home county only had an average cost

of 37.6 cents per $100 of insurance and five counties doing business in adjoining counties as well as the home county had an average cost of 38.6 cents for the same coverage. Sumner County company, which wrote risks in seventeen counties, has had an average cost of 58.7 cents over a period of 14 years.

INFLATION VS. DEPRESSION PERIOD COSTS.

On Page 454 of the 1926 Yearbook of the United States Department of Agriculture the statement is made that the average annual cost of insurance during the last five years (1921-1926 inclusive) in nearly 2,000 farmers' mutual fire insurance companies in the United States has been approximately 26 cents per $100. Also that this average annual cost is about 2 cents per $100 greater than the average annual cost during the preceding five-year period.

A comparison, similar to the above, of insurance costs during the six-year period, 1915-1920, when prices of farm products were inflated with costs during a six-year period, 1920-1926, when farm prices were depressed is shown in the following table.

INFLATION VS. DEPRESSION COSTS
(An average of 27 Tennessee companies)

Table No. X.

Period	Total Net Risks	Total Disbursements	Total Losses Paid	Total Disb. per $100 Ins.	Losses Paid per $100 Ins.	Operating Expense per $100 Insurance
1920 - 1926	$258,184,733	$1,468,651	$962,124	56.9¢	37.3¢	19.6¢
1915 - 1920	$193,369,660	733,981	452,484	37.9¢	23.4¢	14.5¢
% Inc.	33.5	100.1	112.6	50.1	59.4	35.1

Table X brings out the fact that the cost of mutual insurance is greatest in periods of low prices and least in periods of high prices. From 1920 to 1926, when the price of farm products were considerably below what they were for the preceding six-year period, we notice that the total net risks written had increased only 33.5% over the previous six-year period, while the total disbursements had increased over 100% and the total losses paid had risen more than 112%.

On the basis of total disbursements per $100 of insurance, it will be observed that the increase between the two six-year periods mentioned above was 50.1%. Losses paid per $100 increased 59.4% and operating expenses increased 35.1%. Approximately 3/4 of the increase in total disbursements per $100 was due to increased losses paid and about 1/4 was due to higher operating expenses. In other words, losses increased nearly three times as rapidly as did operating expenses.

It is evident from the above facts that mutual insurance companies should have a peculiar interest in the movement of the general index price of farm products. The postwar depression in agriculture has apparently had a decided tendency to increase fire losses on the farm. Periods of depression should be watched with particular care and risks that are at all questionable should be viewed with still greater caution in such times. It is interesting to note in this connection that the movement of the general price level can be forecast with fair accuracy and that there are agencies who make such forecasting their sole business.

Because of high farm fire losses during periods of agricultural depressions, many commercial companies, in spite of rates materially higher than the cost charges in the farmers' mutuals, have found it necessary to

restrict their activities in the field of farm fire insurance and a few such companies have entirely discontinued their farm departments.

"The average annual cost of insurance in the United States as a whole has been approximately 25 cents per $100.00 in farmers' mutual companies (1917-1921). This average cost is about 2 cents per $100.00 greater than the average annual cost during the preceding five year period. This slight increase in cost is by no means surprising. The postwar depression in agriculture, like most such experiences, has had a decided tendency to increase fire losses on farms. Maintainance, upkeep, and replacements of property have in many cases been unavoidably neglected. Many of the commercial companies, in spite of rates materially higher than the cost charges in the farmers' mutuals, have found it necessary to restrict their activities in the field of farm fire insurance, and a few such companies have entirely discontinued their farm departments."

RELATIVE COST OF INSURANCE IN FARMERS' MUTUALS AND STOCK COMPANIES.

The total annual saving to the farmers by reason of the relatively low insurance cost in their mutual companies amounts to a very considerable sum.

It may be safely said that in a number of the counties where farmers' mutual insurance is most highly developed, the average cost of insurance for all these counties in the state has been less than one-half of the rates quoted by commercial concerns, or the so-called bureau rates.

The saving of the farmers' mutuals in insurance cost may be credited mainly to two sources. First, the expenses of operation necessarily incurred by large commercial companies for commissions, salaries, dividends taxes, rents, rating charges, legal assistance, etc. have been reduced or

entirely eliminated. Second, the losses experienced have been fewer, by reason of the practical removal of the moral hazard. The lessening of this hazard is due to the careful guarding against over-insurance on the part of the farmers' companies and possibly to the different attitude assumed by the insured toward a company consisting of friends and neighbors from that often wrongfully assumed toward a large business corporation located perhaps in a distant city.

Savings to Farmers by a Mutual Fire Company. The Carroll County Mutual was organized in 1907 and December 31, 1926, had insurance in force to the amount of $1,646,000. The total amount of insurance in force for the 14 years, 1913 to 1926 inclusive, has been $21,461,475, or an average of about $1,533,000 per year for this period.

On a letterhead received from the Secretary of this company on December 21, 1927, we find this statement: "Three hundred thousand dollars ($300,000) saved farmers since organization."

This is an average saving of $15,000 per year for each of the 20 years of the company's existence. This is about 10% of the average amount of insurance in force during past 14 years.

Relative Cost of Insurance in Farmers' Mutuals and Stock Companies. In Illinois in 1916 the Commissioner of Insurance reported that mutual companies carried practically all of the insurance on farmers' elevators and that they have been able to return each year to the policyholders from 50% to 75% of the premium charge, the original charge being the regular commercial rate.

Mutuals also carry the Workmen's Compensation insurance for elevators at a net cost of about $1.00 per $100 while the stock companies charge $2.70 for same.

In Illinois in 1916 the average cost to farmers of fire, lightning, and tornado insurance was about 19 cents per $100 insurance while the stock companies were charging about $1.00 or over five times as much. The stock company rate for fire and lightning alone is 60 cents per $100.00 or more than three times as much as the mutuals charge for all three forms of insurance.

There were also a number of mutuals that insured against windstorm or tornado only at a charge of 12 cents per $100.00 as against a cost of 50 cents for the stock companies.

An Example. Below is data taken from the Mutual Insurance Bulletin #155 showing the stock or old line insurance companies' three-year-in-advance rate for Fire, Lightning, and Windstorm Insurance on the kind of country property named as taken from the rates fixed by the State Insurance Board of Kentucky. This rate must be followed by all stock company agents. We also give the cost of like insurance in the Hurst Home Insurance Company of Kentucky for the three years ending December 31, 1921, and the savings made to the members of that Company on each $1,000 insurance on the kinds of property insured:

KIND OF BUILDING	Amt. of Insurance	Stock Co's Cost for 3 Years	Cost in Hurst Home Insurance Co. for 3 Yrs. End'g Dec.31,1922	Savings to Members of Hurst Home Ins. Co.
Barns ----------	$1,000	$72.00	$27.00	$45.00
Tenant Houses, wood and wood ----	1,000	34.00	24.30	9.70
Tenant Houses, wood and metal ---	1,000	30.00	22.83	7.17
Tenant Houses, metal and metal ---	1,000	25.00	20.13	4.87
Dwellings, wood and wood --------	1,000	29.00	20.13	8.87

(continued)

KIND OF BUILDING	Amt. of Insurance	Stock Co's Cost for 3 Years	Cost in Hurst Home Insurance Co. for 3 Yrs. End'g Dec.31,1922	Savings to Members of Hurst Home Ins. Co.
Dwellings, wood and metal -------	$1,000	$25.00	$17.43	$7.57
Dwellings, metal and metal ---	1,000	20.00	14.73	5.27
Schools and Churches, wood and wood ----	1,000	32.00	20.13	11.87
Schools and Churches, wood and metal ---	1,000	27.00	17.43	9.57
Schools and Churches, metal and metal --	1,000	25.00	14.73	10.27

The stock companies may also write a cheaper barn policy for the three years at a cost of $38 per $1,000 insurance, but in this policy there is contained the objectionable "fire heat warranty clause," and the insured may be certain that when the old line companies deducted $34 per $1,000 insurance in order to insert this clause into a policy, such a policy is greatly lessened in value to the insured.

Large Profits Being Made By Stock Fire Insurance Companies. In connection with a study of mutual insurance companies a consideration of the profits being made by stock insurance companies is important as indicating an extra amount being paid in by policyholders to be used as profit in companies of this type.

In March 1928 Rutter and Company, a New York investment house, issued a bulletin entitled "Why Insurance Stocks For Investment?" Data are given in this bulletin in regard to 14 of the largest and oldest stock fire insurance companies, these data covering the entire period from the date of establishment of the company down to the present time. This table is given below:

~~Table No. XI.~~

DATA ON FOURTEEN LEADING FIRE INSURANCE COMPANIES.

	Date Est.	Total Cash Paid in Per Share.	Intrinsic Value 1927	Market Value 1928	Ave. No. Yrs. Cash Has Been Employed	Average Apprie. per Yr. to Book Value	Average Apprec. per Yr. (market value)
Aetna Insurance Co.	1819	$68.00	$ 558.00	$840.00	35.3	21.0%	32.2%
Continental Ins. Co.	1853	1.333	40.00	77.25	39.0	74.4	146.3
Fidelity Phenix Ins. Co.	1910	18.75	95.00	200.00	12.4	35.6	78.0
Fireman's Fund Ins. Co.	1863	36.88	86.00	121.00	16.4	8.6	13.9
Globe & Rutgers Fire Ins. Co.	1899	14.30	1215.00	2750.00	25.6	341.3	747.3
Great American Fire Ins. Co.	1872	99.31	303.00	560.00*	14.9	14.8	31.1
Hartford Fire Ins. Co.	1810	157.50	462.00	840.00	13.8	15.1	31.4
Home Insurance Co.	1853	69.44	323.00	615.00	22.3	17.1	35.0
Insurance Co. of N. America	1792	13.73	50.00	88.00	30.8	8.9	17.6
National Fire Ins. Co.	1871	171.67	805.00	1110.00	17.7	22.1	31.0
Niagara Fire Ins. Co.	1850	53.37	226.00	445.00	34.0	9.8	21.6
Phoenix Insurance Co.	1854	100.00	442.00	835.00	22.7	15.8	32.4
St. Paul Fire & Marine Ins. Co.	1865	9.38	110.00	222.00	23.6	47.5	96.1
Springfield Fire & Marine Ins. Co.	1851	8.33	121.00	215.00	67.4	20.1	36.8
Average		$59.00	$ 378.40	$600.87	26.8	20.8%	34.2%

* 2/6/28

Fire Ins. Profits, March 1928 - Rutter and Company, 14 Wall Street, New York.

Analysis shows what a splendid return these stock insurance companies have given to their stockholders. The total amount of cash paid in to the treasury of these fourteen companies per share of stock now outstanding averages $59.00 per share, while the average intrinsic or liquidating value as of June 1927 was $378.40. The companies have had this cash in use for an average of 26.8 years so that the average appreciation per year has been 20.8% figured to the liquidating or intrinsic value only. Figured on the present average market value of $600.87 per share this appreciation amounts to over 34% per year. Further, while the average cash dividends paid in 1927 amounted to a small percentage of the market value they are equal to a large percentage per annum on the total amount of cash that has actually been paid in. According to Best's Insurance News of February 20, 1928, the average market value of 20 representative fire insurance stocks was 170% of their estimated liquidating value.

In commenting on the unusual profitableness of fire insurance stocks, Rutter and Company say: "Fire insurance often shows a technical underwriting loss, but well managed fire insurance companies have prospered in spite of that fact and rank with the best of the companies whose stock is available to investors today. It seems that the above would lead to the inevitable conclusion that in recently organized companies an investor may reasonably expect a steady appreciation in values."

Comparative Losses, Expenses, and Profits of Mutuals and Stock Companies in 1926. Table XIII is taken from Page 50 of the annual report of the State Commissioner of Insurance and Banking for 1926.

It shows that the fire losses of the mutual companies was less than

STOCK COMPANY RATES IN KNOX COUNTY - 1923

(Continental Insurance Company of New York)

Table No. XII

	Cash Payment Plan			Installment Payment for Five Years.
	1 year	3 years	5 years	
Dwellings and Contents Occupied by Owners:				
1. Frame with Shingle Roof				
(a) Fire and lightning ---	$1.25	$2.50	$3.75	$5.00
(b) Fire, lightning and windstorm -------	1.75	3.25	4.75	6.00
2. Frame with metal or slate or approved asphalt				
(a) Fire and Lightning ---	1.00	2.00	3.00	4.00
(b) Fire, lightning and windstorm ---------	1.50	2.75	4.00	5.00
3. Brick or stone with metal, slate or approved asphalt				
(a) Fire and lightning ---	0.75	1.50	2.25	3.00
(b) Fire, lightning and windstorm ----------	1.25	2.25	3.25	4.00
4. Frame with felt or composition roll				
(a) Fire and lightning ---	1.25	2.50	3.75	
5. Brick or stone with shingle or felt or composition roll roof				
(a) Fire and lightning ---				4.00
(b) Fire, lightning and windstorm ---------				5.00
Barns and Contents and Other Buildings: Occupied by Owners:				
(a) Fire and lightning ---	1.50	3.00	4.50	6.00
(b) Fire, lightning and windstorm ----------	2.00	3.75	5.50	7.00
Farm Personal Property - Both Owners and Tenants:				
(a) Fire and lightning ---				6.00
(b) Fire, lightning and windstorm ---------				7.00

Tenants' Property: Property occupied by tenants, except personal property, is 25% higher for the plan and term on which written.

Notes (Table XII):

(1) The installment payments are made payable one fifth each year for the five year installment contracts.

(2) Asphalt, asbestos and composition shingles are treated as same as metal, slate or tile. But felt or composition roll roofing is same as shingles so far as fire and lightning are concerned.

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that of stock companies and the operating expenses also considerably less. These two items total to 104.93% of the premium receipts for stock companies while it totals to only 71.48% for the mutuals. Thus we see that there is a difference, in favor of the mutual companies, of 32.83% of the premiums received.

Table No. XIII.

	All Mutual Companies Writing Gen. Fire Business in Tenn.(exc. Farmers Mutuals)	All Stock Cos. Doing a Gen. Business in Tennessee.
Premiums Received ----------	$33,242,312	$773,190,520
Losses incurred ----------	$14,352,308	$453,258,741
Ratio of losses to premiums---	43.17%	58.62%
Underwriting Expenses ----------	$ 9,411,429	$358,092,542
Ratio of expenses to premiums-	28.31%	46.31%
Underwriting Gain or Loss for the Year ----------	$ 9,269,924	$-43,201,308

As to why this difference, or these differences, exist is an interesting question on which we have no exact data. But of course the item in which the person taking the insurance is most interested is not

so much the "why" as the fact that such differences actually exist.

These differences in losses and expenses go far toward explaining the much higher mortality among stock companies than exists among mutuals.

That the same situation which existed in 1926 was found in 1924 is shown by the following table:

Table No. XIV.

	Mutual Companies 1924	Stock Companies 1924
Premiums earned	$24,665,584	$ 707,923,581
Losses incurred	11,633,499	407,511,847
Ratio of losses to premiums	47.19%	57.56%
Underwriting expenses	7,110,709	315,858,674
Ratio of expenses to premiums	28.83%	44.62%
Underwriting gain or loss	5,929,580	— 24,319,595

Thus we see that in 1924 the stock companies had losses and expenses combined which equalled 102.18% of their premiums, and their loss for the year on Tennessee business was $24,319,595. This had increased in 1926 rather than decreased.

The mutual companies, on the other hand, had losses and expenses equal to 76.2% of their premiums in 1924 and only 71.48% in 1926, thus operating their business in 1926 on a more profitable basis than two years previous.

In 1926 on the Tennessee business the rates of various types companies on fire business was as follows:

Stock companies of other states --------	$ 1.16
" " " foreign countries ----	1.08
Average stock companies --------	$ 1.15
All mutual companies ----------	1.44
Reciprocals or Inter-insurers ----------	0.66
Average of all ----------	$ 1.14

Thus we see that while it is true that the large mutual companies (aside from farmers' mutuals) charge a higher rate per $100.00 as an initial premium they operate their business at lower cost than the stock companies and also keep their fire losses lower. This being so they are in position to refund considerable amounts to policyholders in normal years, and thus make the cost per $100 insurance over a period of years less than the stock companies charge.

Opposition of Stock Companies to Farmers' Mutuals. According to information furnished by Homer Hancock, State Commissioner of Agriculture and Vice President of the Tennessee State Mutual: "The stock companies have continuously fought the farm mutuals, and are still fighting them in every way they can, as for instance:

(1) Through national legislation to tax the mutuals. A few years ago such a bill was before Congress, which if had been passed and enforced, many mutuals felt that it would end their existance.

(2) Through state legislation which would restrict their activities. The Tennessee State Association holds its annual meeting each year that the legislature is in session at Nashville to help protect the asso-

ciations against adverse legislation.

(3)"When the present Commissioner of Insurance, Mr. Caldwell, went into office the stock companies thought they could influence him to use the powers of his office against the mutuals. But he is a fair minded man, and after making a study of the mutuals he announced that they were safe, doing a legitimate business and he would protect them in every way -- that is, he did not permit the stock companies to unduly influence him.

(4)"Stock companies have also misrepresented the mutuals, by word of mouth and through the printed page, by saying that such companies do not succeed, that they cannot maintain their present rates, etc."

Higher Fire Rates in the South. Stock company fire rates are much higher in the South than elsewhere in the United States. Mr. William N. Bament, General Adjuster for the Home Insurance Company of New York, conceded to be the largest fire insurance carrier in the United States, discussing rates in "The Insurance World" of July 24, 1923, says:

"The rate making machinery connected with the business of fire insurance is a great piece of work. A large majority of all the risks (pieces of property) in the United States, with the exception of farm property, dwellings, barns, churches, and schools are specifically rated; and many of the latter are, also. And when risks (pieces of property) are not specifically rated schedules are prepared from which the rates

are easily figured.

"This is due to the fact that conditions differ in the various sections; for instance, the rate on frame, shingle-roof dwellings in New York suburban territory is a little less than 50¢ per $100.00 for the term of three years; in the Middle West it is from 60¢ to 80¢; in Arkansas it is $1.00; and in the Southern States from $1.25 to $1.50.

"Rates generally are perhaps higher in Texas than in any other state, and the people who live in New York can felicitate themselves upon the fact that they are securing insurance on their dwellings and contents at about one-half or one-third of what they have to pay in the state of Texas."

The following table shows a Comparison of the Ten Largest Stock Fire Insurance Companies with Ten Largest Mutual Fire Insurance Companies for the United States as a Whole.

Table XV.

	Average for 10 Largest Mutuals	Average for 10 Largest Stock Companies.
% that cost per $100 insurance in mutuals was less than in stock companies in 1917 ----------	22.2	-
Average % that cost per $100 insurance in mutuals was less than in stock companies from 1917 to 1926, inclusive ----------	30.5	
Same for 1926 alone ----------	36.2	
% that expenses were of premium receipts in 1917 ----------		33.1
1926 ----------		41.9
% increase for stock companies		8.1
Same increase for mutuals, % ------	3.0	

(continued)

Table XV (continued)

	Average for 10 Largest Mutuals	Average for 10 Largest Stock Companies.
% increase in loss ratio from 1917 to 1926 ----------	2.8	11.0
Excess of premium income over losses and expenses in 1926 --	58.3	2.5

From Mutual Insurance Bulletin
November 1927, Pages 7 - 8.

The following figures show a classification of Insurance Companies Writing Fire Insurance in Tennessee in 1926:

1. Stock Companies of Tennessee ---------- 1
2. Stock Companies of other States ----------154
3. Mutual Companies of other States ---------- 26
4. Mutual Companies of Tennessee ---------- 1 (farmers)
5. Stock Companies of Foreign Countries ---------- 34
6. Reciprocals or Interinsurers ---------- 18
7. County Farmers' Mutuals ---------- 34

The following table shows Changes in Fire Companies Operating in Tennessee in the Year 1926.

Table XVI.

	Number Admitted	Number Retired
Stock companies --------	11	8
Mutuals ----------	3	1
Reciprocals ----------	1	0
County mutuals --------	0	2

MUTUAL INSURANCE HAS VALUABLE SOCIAL EFFECTS.

Cooperation of any kind, including mutual insurance, has some splendid social effects that should not be overlooked in appraising its value to a people. Some of these may be mentioned as follows:

1. It develops leadership -- both for local use and for larger use. And leadership is one of the things most needed among farmers.
2. It establishes more contacts, enlarges acquaintances, and creates new friendships.
3. Helps give an opportunity for a few more outstanding farmers over the state to enlarge their incomes within the agricultural industry.

The benefits of rural cooperation in fire insurance cannot all be measured directly in money values. Many farmers have been induced to provide themselves with insurance who would not have done so if they had had to pay the full commercial rates.

The success attained through cooperative insurance has been an encouragement to farmers to attempt other cooperative enterprises. It has stimulated their faith in one another and strengthened the confidence in their own ability to do things outside of their primary occupation of raising crops. Other cooperative organizations such as creameries, telephone companies, meat rings, buying and selling organizations, etc. owe their existence to just such preliminary training of thought and ideals.

ANNUAL FIRE LOSS ON FARMS OF TENNESSEE.

Mr. Wallace Rogers, Chairman of the Agricultural Committee, National Fire Waste Council, estimates the farm fire loss in the United States at

$26.29 per farm per annum, in an article on Page 5 of the Mutual Insurance Bulletin for April 1927.

As there are 6,371,640 farms in the United States this places the annual total farm loss at $167,510,416.

Probably we may assume that the proportion in Tennessee is approximately in the same ratio that our insurable farm property bears to the total value of insurable farm property in the United States., which is 1.75%. Applying this percentage to the national figures we derive the figure $2,931,432 as the annual fire loss in Tennessee. This is equal to $11.60 per farm in this state per year. As the farm population is 1,173,316 it can be seen that the cost per capita per year is $2.49.

This loss from fire is a complete loss to society, though the individual may be repaid by insurance, yet the money to repay him is taken from others, and hence the net wealth of society as a whole is reduced by just that much. And if the repayment money is taken from farmers, it leaves the net worth of farmers just that much less.

In a booklet entitled "Fire Prevention on the Farm", published by several of the insurance companies jointly, there is published a table giving the percentage of fires from various causes. This is an average for five years and is based on data from fourteen states including Tennessee. Assuming that Tennessee is an average state in this respect, and using the above data on fire losses in Tennessee and the United States, we arrive at the following estimates as to the dollar cost of all fires from different causes in the United States and in Tennessee:

DOLLAR COST OF ALL FIRES FROM DIFFERENT CAUSES IN THE UNITED STATES & TENNESSEE.

Table XVII.

Cause of Fire.	% of Fire Losses from Different Causes	Dollar Loss by Fire from Each Cause - Average Loss per Year.	
		Tennessee	United States
Lightning	13.5	$ 395,685.00	$ 22,612,500.00
Defective chimneys and flues	13.4	392.754.00	22.445,000.00
Sparks on roof	6.5	184,653.00	10,552,500.00
Matches - smoking	4.7	137,757.00	7,872,500.00
Spontaneous combustion	4.6	134,826.00	7,705,000.00
Stoves, furnaces, boilers, and their pipes	4.5	131,895.00	7,537,500.00
Petroleum and its products	3.5	102,585.00	5,862,500.00
Exposure, including conflagrations	3.1	90,861.00	5,192,500.00
Steam and hot water pipes	2.9	84,999.00	4,857,500.00
Miscellaneous known causes	2.7	79,137.00	4,522,500.00
Hot ashes and coals - open fires	2.0	58,620.00	3,350,000.00
Electricity	0.8	23,448.00	1,340,000.00
Sparks from combustion	0.7	20,517.00	1,172,500.00
Incendiarism	0.6	17,586.00	1,005,000.00
Sparks from machinery	0.4	11,724.00	670,000.00
Explosions	0.4	11,724.00	670,000.00
Open lights	0.3	8,793.00	502,500.00
Gas, natural and artificial	0.2	5,862.00	335,000.00
Fireworks, firecrackers, etc.	0.2	5,862.00	335,000.00
Rubbish and litter	0.1	2,931.00	167,500.00
Ignition of hot grease, tar, wax, asphalt, etc.	0.1	2,931.00	167,500.00
Unknown causes	35.0	1,025,850.00	58,625,000.00
Total	100.0	$ 2,931,000.00	$ 167,500,000.00

Mr. Harry E. Roethe, in a letter dated December 16, 1927, in commenting on a tabulation of this kind said: "While not representing conclusive statistics it nevertheless is informative in showing the relative importance of these various causes." He is assistant to the Chairman of the National Fire Prevention Committee and is on the staff of the Federal Bureau of Chemistry and Soils.

Fire Causes in the United States as a Whole. As an aid in determining the relative importance from the standpoint of fire resistance of the various details that go into dwelling construction, a review of the main causes of fire in dwellings is pertinent. In Table XVIII are given the percentages of the total loss incurred from two classes of risks as reported by the Actuarial Bureau of the National Board of Fire Underwriters for insurance claims paid for losses incurred during the 5-year period, 1919 to 1923. The first column of percentages refers to losses incurred on dwellings in cities, towns and suburban areas, not including farms. The second column refers to farm losses as a whole, of which farm dwellings would constitute nearly two-thirds of the total, as judged by the character of the predominating causes.

The first five items in the table relate to house heating and comprise 31.24 and 27.38 per cent of the total for the urban and farm loss, respectively. The next five items (#6 to #10) referring mainly to lighting, cooking and other household operations, total 13,26 per cent of the urban dwelling loss and 5.88 per cent of the farm loss, the difference being probably due to the more limited use of electricity and gas for household purposes on the farm and the fact that fires caused by wood and coal-fired stoves of all kinds are included under Item 3. Matches-smoking are responsible for about an equal percentage loss in the two columns and the miscellaneous

causes 12 to 18 total a little higher for the farm loss. As would be expected, spontaneous combustion and lightning cause much higher losses on the farm than on urban dwellings. Most of the loss on the farm from spontaneous combustion is presumably on hay and grain, and would thus not enter into the dwelling loss. The loss from exposure is much the larger for the urban areas, communicating fires with farm buildings being limited to those within a group or as caused by grass, brush and forest fires. On the whole, the table of causes appears to reflect faithfully the difference between urban and rural districts in conditions that affect the fire loss.

CAUSES OF DWELLING AND FARM FIRE LOSSES.

Table XVIII

Causes	Per Cent of Total Loss	
	Dwellings (chiefly urban)	Farm Loss (including farm dwellings)
1. Defective chimneys and flues	11.46	13.42
2. Sparks on roof	9.74	8.10
3. Stoves, furnaces, boilers and their pipes	7.56	4.24
4. Hot ashes, coals, open fires	2.43	1.60
5. Steam and hot water pipes	.05	.02
6. Gas, natural and artificial	1.33	.15
7. Open lights	1.74	.33
8. Electricity	4.80	.81
9. Petroleum and its products	5.10	4.43
10. Ignition of hot grease, tar, wax, asphalt, etc.	.29	.16
11. Matches-smoking	5.94	6.03

(continued)

CAUSES OF DWELLING AND FARM FIRE LOSSES.

Table XVIII (continued)

Causes	Per Cent of Total Loss	
	Dwellings (chiefly urban)	Farm Loss (including farm dwellings)
12. Rubbish and litter	.30	.07
13. Explosives	.20	.41
14. Sparks from machinery	.03	.46
15. Sparks from combustion	.51	.92
16. Fireworks, firecrackers, etc.	.27	.05
17. Incendiarism	.48	.56
18. Miscellaneous known causes	.65	.98
19. Spontaneous combustion	1.39	5.05
20. Lightning	1.95	14.43
21. Exposure, including conflagrations	12.56	2.70
22. Unknown causes	31.22	35.08
	100.00	100.00

Classification of Farm Fire Losses in the United States Based on Reports from 1106 Mutuals in 1927. In 1927 Mr. Harry P. Cooper secured data from 1106 mutual fire companies giving a classification of their farm fire losses during the previous fiscal year, classified by the cause. A summary of the data secured was presented by him in his annual report for 1927 as follows:

Table XIX.

	Amount	% of Total
Stoves, furnaces, boilers and their pipes	$ 273,442.57	1.9
Defective chimneys and flues	900,663.37	6.2
Fireworks, firecrackers, etc.	17,148.99	0.1
Gas, natural and artificial (continued)	21,823.21	0.2

	Amount	% of Total
Hot ashes and coals, open fires --	$ 50,555.46	0.4
Ignition of hot grease, oil, tar wax	33,709.56	0.2
Matches - smoking	147,603.60	1.0
Open lights	82,365.01	0.6
Petroleum and its products	91,400.21	0.6
Rubbish and litter	26,209.59	0.2
Sparks on roofs	542,634.13	3.8
Steam and hot water pipes	3,990.76	0.02
Electricity	156,020.21	1.1
Explosions	143,729.26	1.0
Exposure, including conflagrations	58,359.29	0.4
Sparks from machinery	67,288.59	0.5
Incendiarism	279,046.58	1.9
Lightning	1,347,344.46	9.3
Miscellaneous known causes	617,522.80	4.3
Sparks from combustion	17,034.10	0.1
Spontaneous combustion	170,732.14	1.2
Unknown causes	2,332,875.15	16.2
Losses reported but not classified	7,046,102.25	48.8
Total losses reported by 1106 farm companies	$ 14,427,292.86	100.0

It will be noted that over half of the losses were not classified in the reports. This is because in large fires where it is impossible to save the property it is very often impossible to determine the cause of the fire. Only in relatively small losses, where the fire is extinguished is it possible to determine the cause in a large percentage of the cases.

It is noticed that the losses reported from incendiarism is only 1.9% of the total. Possibly some, or many of the unknown fires were from this cause, but since that could not be proven the fires were reported as of unknown origin.

Tennessee's Fire Loss and Insurance Paid 1926. The following figures compiled by National Board of Fire Underwriters and published in Report of Tennessee Department of Labor for 1926, Page 11, show Tennessee's fire loss and insurance paid in 1926 and 1925:

Table XX	1926	1925
Number claims for insurance ------	9,768	9,391
Value of property ----------	$88,511.299	$76,547,138
Whole Loss ----------	9,104,037	9,683,509
Whole Insurance ----------	74,382,684	62,875,659
Loss paid ----------	7,431,659	7,485,510

There were 377 more claims in 1926.

Fire Loss decreased $519,472.

Insurance carried increased $11,507,025.

Losses paid decreased $53,851.

Sound value increased $1,964,161.

The above is based only on fires on which insurance was carried with the companies who are members of the above Bureau.

KIND OF STRUCTURES ON WHICH FIRES OCCURRED IN TENNESSEE.

Table XXI.	1926	1925	1924	1923
Brick veneer ----------	171	167	100	103
Iron clad ----------	35	47	27	25
Wood ----------	2617	3250	2981	3139

(continued)

KIND OF STRUCTURES ON WHICH FIRES OCCURRED IN TENNESSEE.

Table XXI (continued)	1926	1925	1924	1923
Hollow concrete block:		190	1	1
Reinforced concrete	527	74	51	59
Brick (solid)	97	619	608	533
Stone	16	29	51	17
Automobiles	77			
Totals	3540	4376	3819	3877

The above data are from the annual reports of the Tennessee Department of Labor and include only those fires on which he received reports. Insurance Companies alone reported that they received claims for fires from more than 9000 conflagrations in 1926, and over 9000 in 1925 also.

Causes of Fires in Tennessee. From the Annual Reports of the Department of Labor of the State of Tennessee for the years 1923 - 1926, inclusive, the following table, giving the principle causes of fires, has been compiled. Unknown causes, of course, constituted the greatest one single class of causes listed in the above mentioned documents.

Of the known causes reported, only the main ones are listed separately in this table.

The figures in Table XXII represent only the fires reported to the Tennessee Department of Labor and is not the total of all fires actually occurring since many fires are never reported, especially if there is no insurance being carried when the fire occurs.

The National Board of Fire Underwriters reports the total number of claims for loss by fire in Tennessee to have been 9,768 in 1926. These claims represented property valued at $88,104,037.

CAUSES OF FIRES IN TENNESSEE.

Table XXII.

Causes	Year. 1926	1925	1924	1923	Total	Per Cent of Total Known Causes.
Sparks from chimneys ----	552	682	722	693	2649	24.35
Adjoining other bldgs. --	363	531	385	301	1580	14.52
Defective flues and chimneys ----------	271	288	373	255	1187	10.91
Exposed to other fires --	230	219	240	116	805	7.40
Electric wires ----------	181	200	159	154	694	6.38
Smokers' carelessness ---	142	210	99	63	514	4.73
Coals from stove or grate	92	261	159	118	610	5.61
Kerosen stoves and explosions ----------	61	151	109	120	421	3.87
Gasoline stoves and explosions ----------	23	12	76	80	191	1.76
Burning rubbish ---------	59	45	65	38	207	1.90
Asbestos against wood ---	29	26	25	49	129	1.19
Lightning ----------	40	33	31	77	181	1.66
Careless with matches ---	61	93	71	55	280	2.57
Spontaneous combustion --	9	35	33	21	98	0.90
Incendiary and suspicious	20	20	47	48	135	1.24
Other known causes ------	206	485	275	231	1197	11.00
Total of all known causes ----------					10878	99.99
Unknown ----------	1113	1125	1188	1206	4632	

Supplementary Losses Due to Farm Fires: In a press release dated October 5, 1927, Secretary Jardine, after calling attention to the enormous loss of property and 3500 lives in farm fires each year, adds a statement in regard to some supplementary losses, as follows: "The loss, however, is more serious than the property loss figures indicate because, in addition to the loss of life and property food supplies were spoiled or lost, gainful production operations were curtailed and even suspended, families were rendered homeless, and potential manufactured products of increased value were lost."

Tennessee Has Very High General Fire Losses - But Mutual Losses Are Lower Than Stock Company. The rate charged for fire insurance in Tennessee is higher than in most of the states, and fire insurance representatives in Knoxville say that the cause of this is that fire losses are heavier in Tennessee, as well as in the South generally. That this statement is true is indicated by the following figures taken from the Tennessee Commissioner of Insurance and Banking annual report for 1926:

	United States	Tennessee.
Gross Fire Risk ----------	$135,341,687,260	$1,535,749,749
Net Losses Paid ----------	462,693,819	7,437,749
% that losses are of gross risk ---------	0.34%	0.48%

Thus it is seen that the losses in Tennessee in comparison with the gross fire risk in force is 41% higher than in the United States as a whole, including Tennessee.

This includes the fire business of all kinds that is written by companies doing business in Tennessee, except the farmers' mutuals. It

includes both farm and city property, and business done by stock, mutual and reciprocal companies.

Since Tennessee has a high fire insurance rate there is need for some method (as farmers' mutuals) of reducing the rate that careful farmers have to pay. But at the same time it makes the business more hazardous than in some other states.

Fortunately the losses of mutual companies, both the large fire mutuals and the farmers' mutuals, have been proven by experience to run considerably lower than the losses of stock companies. This being the case there appears to be an especial need for them in this region.

Fire Losses of Mutuals Have Steadily Decreased Since 1923. A very interesting change has been taking place in the amount of fire losses paid by the county farmers mutuals during the past few years. Despite a steady increase in the amount of insurance in force, the losses paid have steadily decreased. This decrease in losses paid is as follows:

1923	$198,462
1924	181,465
1925	176,725
1926	140,528

The explanation of this rapid decrease in losses which is offered by insurance men who have been consulted is as follows: when agriculture was in a boom period from 1917 to 1920 farm property became high in price and insurance was written at a high valuation. Then the depression came and prices dropped precipitously. Many farmers were in debt for large sums and were having a great deal of trouble in paying their debts. Thus they had two incentives to "sell out to the insurance company": first, they were badly in debt and this was one way to raise the money and meet a desperate situation. Second, the buildings were insured at considerably

more than the replacement cost would be.

Along about 1923 this sort of thing was at its height, and since then has been on the decline, for several reasons. First, the agricultural situation as regards relative prices has been gradually improving. Second, farmers deeply in debt are usually less so or have given up their farms. Third, those who intended to have a burn out have done so to a considerable extent. Fourth, the insurance companies have been busy revaluing their risks and reducing the coverage in many cases. Fifth, new buildings being erected are covered with non-inflamable materials. Sixth, companies are now refusing to insure some risky types of buildings that were formerly covered.

County Mutuals Should Organize to Keep Statistics of Fire Losses by Property Classes. It is recognized that is is not just to charge the same premium rates for fire insurance in different kinds of property because some kinds of farm property are much more subject to destruction by fire than others; wooden buildings being more hazardous than brick; shingle roofs more dangerous than slate, metal or other non-combustible roofs, and so on.

To be just, the premium rate must be fixed according to the average losses which occur in each class of property. A trustworthy average, however, can only be obtained when all of the losses, or as it is termed, the "experience" in relation to a large number of risks is taken into account. Such wide experience can be obtained in two ways: first, where there is a small number of risks, by taking the average of the classes extending over a number of years; and second, where there is a large number of risks, by taking the average over a shorter period. Where there is a very large number of risks a period of one year will give a fairly

close approximation unless it is in some respect unusual..

In many cases the rates on different classes of farm property charged, by those farmers' mutuals that class the property, is simply set in an arbitrary way based simply on guesses by the manager as to what each class should pay.

It should be recognized, however, that the only scientific and just way of fixing the premium rates for the various kinds of farm property is by collecting and compiling the fire losses occurring in the different classes of risks, and continuing this until it is determined what proportion, approximately, of each class of risk is destroyed by fire.

Although the fire insurance business in the United States has been conducted from over 250 years, it was long quite limited in extent, and has been in extensive use less than a century. Moreover, there has been no extensive or complete collection in any country of detailed statistics of fire losses according to classes of farm property (or any other property for that matter).

Most of the corporations engaged in the fire insurance business have in the past closely guarded as business secrets the number of fires occurring in the different classes of risks they insured.

Even where mutual companies make a difference in rates on various classes of farm property there is no way for the property owner to find out whether or not these differences in rates are proportional to actual differences of danger of fire in relation to the different classes of property.

The farmers mutual companies of Tennessee should

(1) Classify property into a reasonable number of logical classes.

(2) Each company keep their fire losses carefully on that basis.

(3) Have a central or state agency which will receive these data, tabulate them, and make the general average losses on each class of property known to each company.

(4) Have a central national agency to do the same thing.

(5) Secure data on relative fire losses on owner and tenant property.

Tennessee Mutuals Should Secure Data as to Relative Fire Losses in Owner and Tenant Property. The question arises as to whether or not farmers' mutual insurance companies should charge higher rates to tenants than to owners, or higher rates for insuring farm buildings occupied by tenants than those occupied by owners. The companies of New York State in general do not make any distinction as to this, but a few do, and neither do the Tennessee mutuals.

The attached data from Illinois is somewhat enlightening. Tennessee companies should gather statistics on this point and fix their rates accordingly. It appears that old line companies make no difference in Knoxville.

Losses

LOSSES FROM WINDSTORM OR TORNADO.

In some sections of the United States the loss of farm property from tornado is quite heavy and insurance rates covering that risk are necessarily high. In fact the risk is so great in some sections that it is not considered safe for county or local mutuals to carry

LOSS RATIO OF FARM PROPERTY OF OWNERS AND TENANTS.

For Illinois, one year only 1916.

Table XXIII.

		Number Risks	Loss Ratio - Per Cent
Farm Dwellings:			
1. Stock Companies:	Owners	13,087	84.2
	Tenants	1,146	67.3
2. Mutuals:	Owners	210	45.3
	Tenants	84	8.4
3. Stock and mutuals combined:	Owners	13,297	83.5
	Tenants	1,230	64.9
Farm Barns and Other Outbuildings:			
1. Stock Companies:	Owners	9,571	64.9
	Tenants	1,611	95.1
2. Mutuals:	Owners	226	51.8
	Tenants	67	27.6
3. Stock and mutuals combined:	Owners	9,797	64.7
	Tenants	1,678	90.5
Livestock on Farms:			
1. Stock Companies:	Owners	9,479	46.0
	Tenants	2,169	62.7
2. Mutuals:	Owners	123	60.3
	Tenants	117	(?)
3. Stock and mutuals combined:	Owners	9,602	46.2
	Tenants	2,286	59.0

(continued)

From Addresses and Papers of Rufus M. Potts,
Commissioner of Insurance of Illinois, 1917.

LOSS RATIO OF FARM PROPERTY OF OWNERS AND TENANCY.

For Illinois, one year only 1916

Table XXIII (continued)

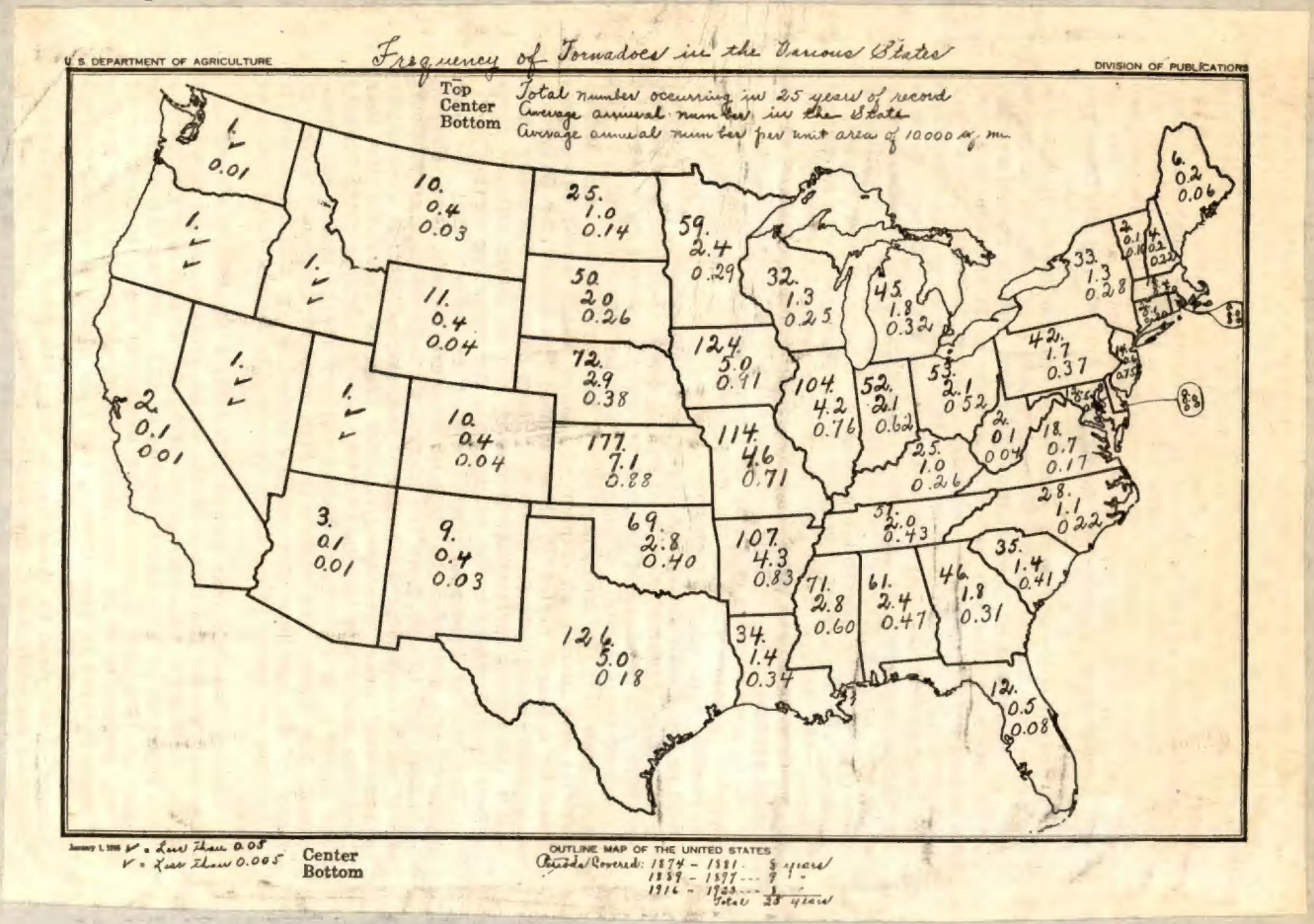
		Number Risks	Loss Ratio - Per Cent
All Classes of Farm Property Combined:			
1. Stock:	Owners	51,870	61.0
	Tenants	8,594	71.6
2. Mutual:	Owners	874	120.6
	Tenants	457	54.1
3. Stock and Mutual Combined:	Owners	52,744	61.9
	Tenants	9,051	70.8

insurance of this type.

In Tennessee, however, a considerable number of the county mutuals include this risk along with that of fire and lightning in their regular policy and have in most cases been doing this successfully for many years. Along about 1910 a severe windstorm struck the South Central portion of the state and wrought much havoc. The Lawrence County mutual was very heavily hit, and as it had not as yet become firmly established it was forced to liquidate. The Giles County mutual also suffered considerably but was able to weather the storm. A windstorm also struck Sumner County during the early days of the Sumner County mutual and caused some damage to the company, but all obligations were met and the company continued to grow in volume of business.

The following map shows the frequency of tornadoes in the different parts of the United States. It will be observed that Tennessee is in a general area where windstorms are relatively frequent as compared with many other sections of the country; though not as frequent as in such

Map III.



states as Kansas, Missouri, and Arkansas.

This table, however, cannot show the relative intensity of the storms in different areas and the damage done. And that, after all, is the most important thing. A considerable proportion of Tennessee, especially East Tennessee, where most of the county farmers' mutuals are located, is protected by hills and mountains in such a way as to greatly lessen the damage from windstorm.

The Tennessee State Mutual, which operates in Middle and West Tennessee, does not include windstorm coverage in its regular policy. In fact it does not insure against windstorm at all on its own responsibility, but does act as agent for a large mutual, charging regular stock company rates

for this type of coverage.

THE FIRE MARSHAL TAX ON MUTUAL INSURANCE COMPANIES IN TENNESSEE.

In a letter under date of December 12, 1927, Mr. T. E. Miles, Deputy Commissioner of Insurance, makes the following statement:

"For several years prior to 1923 all mutual fire insurance companies were taxed 1/2 of 1% as a Fire Marshal Tax. The legislature of 1923, however, relieved them of this tax and they did not pay same from 1923 to 1925. The 1925, however, placed the tax again on the premiums of mutual fire insurance companies, and the 1927 legislature re-enacted the section providing for the tax.

"The tax is at the rate of 1/2 of 1% of the total income of the company received for insurance, and this would make the amount of the tax dependent upon the amount of income the company received for insurance.

"The Fire Marshal Tax is collected by the Department of Insurance and Banking and turned over to the State Treasurer for the purpose of operating a Fire Marshal or Fire Prevention Department in the State.

"In my opinion the tax is just and is not burdensome upon any company."

In a letter dated December 17, 1927, Mr. E. M. Gillenwater, State Fire Marshal, says:

"The mutual insurance companies derive the same benefit from this department that old line companies do. In fact this department is at their service and this money is spent for the investigation of fires and for the prevention of same. The mutual companies call on this department

to investigate suspicious fires and they are always given prompt services. The mutual companies have claimed that they should not have to pay this tax, but at the same time they do not hesitate to ask this Department to investigate such fires as they think suspicious. We render them the same service that we render the old line companies.

"The insurance companies were willing and in fact asked that they be taxed this 1/2 of 1% of premiums for fire prevention work at the time the Fire Prevention office was created by the legislature in 1915."

The stock fire insurance companies pay the Fire Marshal Tax at the same rate that mutuals do, but are required to remit same semi-annually to the Commissioner of Insurance and Banking instead of annually as the county mutuals are required to do.

Again, in a letter dated January 23, 1928, Mr. Gillenwater mentions some cases where his department has been of real benefit to farmers' mutual companies, as follows:

"This department has investigated dozens of cases for the mutual fire insurance companies. (1) One I recall was about a year ago; we convicted Ben Hibdon and Steve Lambuth. They were given one year each in the penitentiary. This conviction occurred about two years after the fire happened. Lambuth had $2000.00 in the Sumner County mutual. (2) Another case is A. P. and Ed Oakley, fire July 28, 1925, convicted and given two years in the penitentiary.for defrauding an insurance company, $800.00 in the Sumner County mutual. (3) Another case is H. G. Miller, Sullivan County, fire March 26, 1927, investigated by a Deputy but no conviction. He carried $1600.00 insurance and was paid $1150.00.

"I wish that our records were kept in such way that I could give you other specific cases that we have served."

In a letter dated December 16, 1927, Mrs. Pauline Glick, Secretary and Treasurer of the Tennessee Farmers' Mutual Fire Insurance Company says;

"We do not think that the Fire Marshal Tax should be charged against any domestic mutual, and it is not done in other states. Such companies are so favored because they are recognized as not operating for a profit to any individual, and that any taxes charged against them naturally are charged back to the policyholders, and therefore they are entitled to some special consideration."

Mr. Homer Hancock, Vice President of the Tennessee State Mutual says:

"This tax is said to be 1/2 of 1% of the premium or the amount of insurance in force. It costs the Tennessee State Mutual over $500.00 per year.

"The fire marshall does not help the farmers' companies. In the first place, he does very little work in the rural districts, and in the second place he messes things up so when he tries to do anything that the Tennessee State much prefers that he let their fires alone."

During the existence of this officer he has convicted 57 from 1922 to 1926 inclusive of incendiarism and he has indicted some others. The convictions secured by the fire marshal have been as follows:

1922 ---- 3

2923 ---- 13

1924 ---- 17

1925 ---- 10

1926 ---- 14

Total --- 57

This is an average of about 11 1/2 per year.

In 1926 the work of the Division of Fire Prevention may be summarized as follows:

Fires investigated	231
Acquittals, nolle passed, dismissals, no indictments	34
Convictions	14
Total no. prosecuted	48 finished.
Cases pending	65

In a letter dated December 22, 1927, Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies says:

"(1) The farm mutuals of Indiana do not pay a Fire Marshal Tax. The theory followed by this state and others, as I understand it, has been that the home companies should have this advantage over the outside companies.

"(2) Such a tax, in my opinion, is not fundamentally sound, because it is not equitable or just. The State Fire Marshal's work is one that is of advantage to every citizen of the state. If it is paid only by those who carry insurance it means that only part of the people who are benefitted are paying the bill. It means further that insurance premiums must be loaded to the extent of this tax. The assured, therefore, must pay a bigger premium than he really ought to pay.

"(3) Again, the State Fire Marshal's work is largely confined to cities and towns. Farmers' mutuals do not write such property, except in isolated cases. Their properties are segregated and I presume that it is an almost unheard of thing for the State Fire Marshal to make inspections of such properties. If such property is inspected at all it is done by the officials or inspectors provided by the companies themselves (and not by the Fire Marshal). Hence if they have to pay such tax

it puts a double burden on the farmers' companies.

"When the State Fire Marshal law was passed in Indiana the stock fire insurance companies believed that it would be of sufficient value to them and reduce their losses to such an extent that they could afford to pay for the work. Their big premiums and their big business was in the congested centers where they believed a state fire marshal, with full authority from the state, might secure improved conditions which the companies had been unable to do. For example, a certain citizen of Crawfordsville, Indiana, owned a ramshackle old building that had been considered a fire trap and a menace for many years, yet he refused to repair it, remove it, or tear it down. Because of this fire trap the rates on all surrounding properties was probably double what it otherwise would have been. The adjoining property owners were unable to have the hazard removed. The State Fire Marshal, however, with the authority of the state behind him ordered the building torn down which was done and in its place now stands a splendid brick building. (However, since farm buildings are segregated a service of this kind is not rendered to farmers or to farmers' mutual companies).

"It has been claimed that the State Fire Marshal is very helpful in running down arson fires. There have been but few cases, however, where the farmers' mutuals have been bothered with arson fires, and it is on an extremely small percentage of those that the Fire Marshal has been of any material assistance."

According to the Mutual Insurance Bulletin of April 1927, only a few states require mutuals to pay fire marshal tax. It says:

"A few of the states collect a state fire marshal tax from the local mutual insurance companies. Such a law was proposed in Nebraska but was killed. The mutuals of Tennessee are anxious to have such a law in that

state repealed. A bill was introduced in Wisconsin to put a tax on the Wisconsin mutuals but was defeated."

Mr. T. E. Miles, Deputy State Insurance Commissioner, in a letter dated December 2, 1927, says: "Personally I believe that the laws we have in Tennessee covering both state and county mutual fire insurance companies are adequate, and I have no suggestions to make at this time as to changes."

Tennessee has a good arson law. By arson is meant the malicious firing of any building or any property. It means the same as incendiarism.

The Tennessee legislature of 1925-1926 amended the arson law and it is expected that this will materially assist in the prosecution of cases of this kind. Tennessee now has on its statute books what is known as the Model Arson Law.

LOSSES PAID PER $100 OF INSURANCE BY TENNESSEE FARMERS' MUTUALS.

The amount of money paid for losses in the various county mutuals of Tennessee is shown in Table XXIV. It will be noted that Moore County paid only $0.0026 or 1/4 cent in losses for each $100 of insurance in force. This represents a total loss of only $4 for the first two years of its existance. On the other hand, Shelby County has had a loss expense of a little more than 85 cents for each $100 of insurance in force. The weighted average for 35 counties over a five-year period is $0.388.

On Page 236 of "Farm Economics" #21 issued by Cornell University under date of January 31, 1925, is shown a table in which is tabulated the results of a study of 69 county assessment companies over a period

LOSSES PAID PER $100 OF INSURANCE BY TENNESSEE FARMERS' MUTUALS.
(Average five years 1922 - 1926)

Table XXIV.

Rank	Company	No. Yrs. Rptg.	Amt. of Losses Paid	Rank	Company	No. Yrs. Rptg.	Amt. of Losses Paid
1.	Moore	2	$0.0026	19.	Hamilton	3	$0.311
2.	Grainger	5	0.148	20.	Bradley	5	0.321
3.	Washington	5	0.162	21.	White	2	0.347
4.	Cocke	5	0.165	22.	Campbell	3	0.364
5.	Anderson	2	0.172	23.	Jefferson	5	0.369
6.	Sullivan		0.191	24.	Carter	4	0.398
7.	Franklin	4	0.193	25.	Putnam	4	0.404
8.	Warren	5	0.196	26.	Monroe	1	0.439
9.	Greene	4	0.199	27.	Roane	5	0.458
10.	Giles	2	0.220	28.	Rhea	3	0.467
11.	Blount	5	0.224	29.	Carroll	5	0.476
12.	Knox	3	0.224	30.	Meigs	4	0.483
13.	Loudon	4	0.253	31.	Claiborne	4	0.638
14.	McMinn	5	0.255	32.	Hamblen	5	0.651
15.	Union	4	0.260	33.	Wilson	2	0.652
16.	Cumberland		0.284	34.	Sumner	5	0.699
17.	Sevier	2	0.294	35.	Shelby	5	0.853
18.	Hawkins	3	0.302	Weighted Average ----------			$0.388

of thirteen years. The Amount of money paid back to policyholders in losses is shown to be 80.9 per cent of the total disbursements. Tennessee companies paid back to policyholders in losses only 66.1 per cent of their total disbursements during the five-year period, 1922 - 1926 inclusive.

Of course it should be borne in mind that the above mentioned five-year average for Tennessee is not exactly comparable to the New York thirteen-year average because insurance costs have been increasing and hence a recent five-year average is calculated on a higher relative cost plane than if a longer and earlier date of years were used. This longer and earlier period, 1910 - 1922, is what was used in obtaining the average in the New York publication mentioned above.

PERCENTAGE OF TOTAL EXPENDITURES RETURNED TO THE POLICY-HOLDERS, IN LOSSES PAID, BY TENNESSEE FARMERS' MUTUALS.

One measure of the relative efficiency of farmers' mutual companies that has been used is the percentage of all expenditures that is paid to policyholders for losses. In New York state R. W. Bartlett found this to be 81% as an average for the 13 years, 1910 - 1922. (Cornell Bulletin #435, page 17). In Tennessee we do not find that this percentage runs so high, the average for the five-year period 1922 - 1926 inclusive being 64.7%.

In other words, 35.3% of all expenditures of the Tennessee mutuals was for operating expenses while only 19% of the expenditures of the New York State companies went for running the company.

The average for all the farmers' county mutuals in Tennessee per year is shown in the following table.

It will be noted that the percentage of disbursements for fire losses was highest in 1922 - 1924, during a period of severe agricultural depression, the percentage being considerably lower in 1925 and 1926.

	Percentage of Total Expenditures for Operating Expenses	Percentage of Total Expenditures for Losses Paid
1922	28.5	71.5
1923	30.7	69.3
1924	30.1	69.9
1925	44.6	55.4
1926	41.6	58.4
Average	35.3	64.7

Attention should here be called to the fact that while these percentages are helpful in studying the efficiency of companies, as used by Mr. Bartlett, a better criterion is the real cost of the insurance in dollars and cents. That is to say, a company might show a high percentage of total expenditures used to pay losses and yet not be as efficient as one having a smaller percentage for this purpose because of having both high operating expense and high losses. If this were the only criterion of efficiency the manager having the company with the highest loss ratio might be judged the most efficient.

What is needed is to discourage fire losses in every way possible even if it does make the percentage of expenditures for operating expense appear high. In fact it may be good business to spend a little more to secure good management with the expectation that losses will be cut down in such a way as to more than compensate for the extra expense.

LAND VALUES IN RELATION TO COST OF INSURANCE IN TENNESSEE FARM MUTUALS.

On Pages 10 - 12 of Cornell Bulletin #435, R. W. Bartlett shows that is New York State there is a definite and direct relationship be-

tween the value of land per acre and the cost of insurance per $100 in farmers' county mutual assessment companies. He divides the counties into four groups and finds that in the group haveing highest land value the cost of insurance is 19.7¢ per $100; in the second highest group 20.5¢ per $100; in the third group 22.4¢ per $100; and in the group of counties having the lowest land value 26.8¢ per $100 insurance.

In Tennessee this relationship does not appear to hold true, as is shown by Table XXV.

For instance, it will be observed that in Shelby and Hamblen, counties of high valuation of land per acre, the insurance cost is also high, while in Warren and Anderson counties, regions of low valuation per acre the cost of insurance is low. If one divides the companies into two groups, based on the valuation of land per acre, the average cost of insurance for each group is approximately the same. There is

There is some reason, of course, for variation in cost of insurance between the different counties of Tennessee, but it does not appear that in this state the factors which bring about high land values also cause conditions to be such that low insurance rates can always or even generally be charged by the mutual companies, or vice versa.

RELATION OF FARMERS' MUTUALS TO THE FEDERAL LAND BANK.

Borrowers from federal land banks should insure with local farmers' mutual. It is the policy of the Federal Land Banks to require property on which they make loans to be insured. These policies may be taken out either:

(1) with the local farmers' mutual.

(2) with state farmers' mutual.

RELATION BETWEEN VALUE OF LAND PER ACRE IN 1925, AND TOTAL COST PER $100 OF INSURANCE**

Table XXV.

Rank	Company	Value Land per A. 1925	Total Cost per $100 Insurance**	Rank	Company	Value Land per A. 1925	Total Cost per $100 Insurance**
1.	Knox	$66.10	$0.376	17.	Giles	$30.39	$0.259
2.	Shelby	65.51	1.168	18.	Franklin	29.81	0.271
3.	Washington	62.96	0.300	19.	Roane	25.61	0.565
4.	Greene	59.46	0.307	20.	Moore	25.50	0.232
5.	Hamblen	51.95	0.834	21.	Putnam	24.58	0.495
6.	Sullivan	51.47	0.265	22.	Rhea	24.57	0.734
7.	Jefferson	47.46	0.474	23.	Anderson	23.39	0.222
8.	Carter	42.67	0.477	24.	Monroe	23.25	0.595
9.	Hamilton	39.47	0.46	25.	Bradley	22.99	0.666
10.	Cocke	37.56	0.249	26.	McMinn	22.47	0.359
11.	Blount	36.66	0.370	27.	Union	22.03	0.378
12.	Hawkins	35.72	0.307	28.	White	19.36	0.41
13.	Sevier	34.06	0.348	29.	Meigs	19.14	0.57
14.	Loudon	32.14	0.333	30.	Campbell	18.65	0.457
15.	Grainger	31.84	0.269	31.	Warren	18.64	0.323
16.	Claiborne	30.73	0.702	32.	Carroll	18.02	0.669
				33.	Cumberland	12.51	0.599
Total		725.76	7.239	Total		735.81	7.743
Average		45.36	0.452	Average		30.73	0.702

** Average five years, 1922 - 1926.

(3) With a commercial company for which Secretary-Treasurer of the Farm Loan Association is agent.

(4) With a local agent of a commercial company.

(5) Or the borrower can refuse or neglect to take out a policy himself, in which case the bank takes out a policy from its headquarters.

In its "Messenger" for December 15, 1927, the Federal Land Bank of St. Paul strongly advises all borrowers to take out policies themselves and offers the following reasons for doing so:

(1) Sometimes it can be done more cheaply, and the land bank gets no rebate but pays the regular commercial rates.

(2) The service will be better with a local company or local agent.

(3) Help your home community.

(4) Save the bank trouble.

Farmers' mutuals can increase their business by insuring applicants for loans from the Federal Land Bank. The Secretary of the Federal Land Bank of St. Paul states further that frequently the Secretary-Treasurer of local National Farm Loan Associations are agent for some insurance company. It is also known that commercial insurance companies usually allow a larger commission to agents than do the local mutual fire companies, and hence there is more personal incentive to a Secretary to represent such a company.

This being the situation it would not be at all surprising if, and it is known that it is true in many cases, the local mutual company loses considerable business in this way which they could secure if the Secretary

were loyal to them, or if such farmers insisted on insuring in the local mutual. This leads to the desirability of the farmers' mutual having at least one of its loyal members as an official who knows of the applications for loans before they are approved. Arrangements should be made with this man by the Secretary of the farmers' mutual to report all such applications for loans to him promptly, and he should then get in touch with the applicant if the latter is not a member of the local mutual, and offer him the services of the mutual company. It seems that this offers an opportunity for the mutual to both increase its business and to render a real service to local farmers who are in need of such services -- for usually if a farmer is required to borrow money he is not financially able to pay insurance premiums that are unnecessarily high.

The President of the Federal Land Bank of Louisville says that his bank does not require tornado insurance but recommends it. However, the bank does require fire insurance on all buildings that are insurable. Formerly some of the officials of the Federal Land Banks did not want to accept insurance policies from mutual companies, but this policy has now been discontinued and mutual policies are readily accepted by Louisville bank. They recommend that a reserve be set up by the mutual, however.

The Federal Land Bank of Louisville on January 11, 1928, stated that about 40% of the total number of fire insurance policies furnished them from Tennessee come from Farmers' Mutual companies.

This would seem to be a splendid record for the Tennessee farmers' mutuals, considering the number of such companies and the extent to which the state is and is not covered by such companies.

This would seem to be a splendid record for the Tennessee farmers' mutuals, considering the number of such companies and the extent to which the state is and is not covered by such companies.

Realizing that that great farmers' cooperative credit institution, the Federal Land Bank of Louisville had probably had considerable dealings with the farmers' mutuals of Tennessee, and hence would have some suggestions to make as to how the mutuals could so conduct their affairs as to best meet the requirements of that bank as to insurance coverage on farm buildings, we directed an inquiry to the bank in regard to same. The following statement shows the questions which we asked, and the reply of Mr. J. W. Peake, who is in charge of the Insurance Department of the bank, to each of them.

(1) To what extent do you find that the farmers of Tennessee who borrow from your bank avail themselves of the opportunity to insure in local farmers' mutual companies?

"Without actually counting, we would estimate that we receive from Tennessee of Farmers' Mutual policies about 40% of the total furnished us in connection with our loans."

(2) How satisfactory has been your experience in dealing with these companies?

"We have no complaint to make against the mutual companies since they have not given us any trouble to speak of in the settlement of claims."

(3) Do you accept policies with these local mutual companies as meeting your requirements as regards not only fire and lightning but also tornado?

"Yes. We have never refused to accept mutual policies covering either fire or tornado risk."

(4) Have you any changes of policy in mind in connection with this matter?

"We feel that a great improvement could be made that would mean the saving of time to us in handling mutual policies if the companies could be induced to adopt

a uniform policy, one that would set out plainly in bold type on the first page of the policy the kind of insurance covered by such policy - whether fire only, or fire and wind-storm insurance. It would also be an advantage to have it plainly shown on the first page the date of the policy and the date it expires; or that it is perpetual. Some provisions should also be made by which a mortgagee would be advised when a company is about to cancel one of their perpetual policies, or any item included in such policy, as otherwise the mortgagee may hold for months, and even for years, one of these mutual policies, supposing it to be in full force and effect when as a matter of fact it has been cancelled, either by the company or by the insured.

In case the policy is intended to cover both fire and tornado risk double columns on the first page (to the left), headed respectively "Fire Insurance and Tornado Insurance" (or windstorm insurance) should be provided so that it will appear at a glance just how much is covered under each head. You will find that this form is used by The Continental and Royal Companies, and others.

(5) What suggestions have you for the improvement of the work and efficiency of these companies?

If they could be induced to adopt uniformly the standard mortgagee clause form to be furnished mortgagees this would make such policies more satisfactory to The Federal Land Banks.

(6) Any other information or suggestions which would be helpful to us in a study of this kind.

We would suggest that correspondence with the mutual companies would be rendered much easier and more satisfactory if the policies of these companies would always plainly indicate where the home office of the company is located, since it often occurs in our experience that we have occasion to write for endorsements, but are unable to address the company, or the Secretary of the company, on account of the fact that the policy does not in any place show the address of the Secretary, or other officer.

It would seem that each of these suggestions is worthy of the serious consideration of each of the county mutuals in Tennessee, for

the following reasons:

(1) The Federal Land Bank is doing a very large business in Tennessee and will probably continue to do so. Policies of the mutuals should be so handled, as to details, that they will be entirely satisfactory to the bank, in order that the land bank may be induced to encourage the use of such policies.

(2) Features that are objectionable to the Federal Land Bank are probably also found disagreeable by insurance companies and mortgage agencies in general.

(3) The elimination of these objectionable features would also improve the policy from the standpoint of the individual property owner who is purchasing the insurance.

RELATIVE COST PER $100.00 INSURANCE IN MUTUALS COVERING DIFFERENT SIZED AREAS.

It appears that the larger the territory covered by a farmers' mutual company the higher the rate that must be charged, taking the county as the minimum size or area.

During the past 14 years we have data on 28 Tennessee companies that wrote insurance in their home county only, and the average cost of insurance in these companies per $100.00 was 37.6¢ per year.

During the same period of 14 years the average cost of companies writing not only in their home counties but also in some of the immediately adjacent counties was 38.6¢ per $100 insurance per annum.

But the average cost for these 14 years of the Sumner County mutual which wrote in 17 counties was 58.7¢ per $100, or 20¢ to 21.5¢ more than the companies operating in more restricted areas.

The figures are borne out by the study of 1566 companies, writing

fire and lightning only, located in all parts of the United States; made by V. N. Valgren and reported on pages 48-62 of his book "Farmers' Mutual Fire Insurance in the United States." He found that the average cost per $100 insurance for companies writing in one county only was 23.0 cents; for companies writing in 4 or 5 counties it was 27.6 cents, while companies covering an entire state averaged 33.9 cents per $100 insurance.

This increase in cost is due possibly to two reasons:

(1) The larger expense per $100 involved, in writing insurance over a wide territory. The costs of inspection are larger; higher payments are necessary as a commission; expense of making adjustments are greater, etc. Where large companies operate it often happens that two or more of them try to do business in the same area, thus causing expensive competition and increasing the costs.

(2) It appears that there is a tendency for fire losses to be heavier in the larger companies. Members do not have the community pride in the larger company that they have in the smaller one, and at the same time other members do not exercise the watchful care in helping to prevent fires that they do in the smaller companies.

(3) Often the moral risk is greater as the member is selected by an agent who is interested in getting his commission, rather than by a local board of directors.

(4) It sometimes happens that the agents of larger companies write too much insurance on properties, as their compensation is based on a commission, and the larger the insurance written the larger their profits.

In "Farm Economics", page 236, published by Cornell University, R. W. Bartlett reports on a study of the farmers' mutual companies of

New York state. His figures give the 13-year average cost of insurance in 135 assessment companies in that state from 1910 to 1922 inclusive. Of these 135 companies 69 were on a county-wide basis and 66 operated over smaller areas. To compare with his data on assessment companies he gave data on 31 advance premium companies for the same period, the latter companies operating over several counties each. The following table is from his study:

	69 township assessment companies each covering part of one county	66 county assessment companies each covering one county	31 advance premium companies each covering several counties.
Average annual cost per $100 insurance -----	$0.248	$0.280	$0.516
% of premiums paid back to farmers for losses --	84.8	80.9	61.2
Officers' salaries per $100 insurance ---------	$0.008	$0.015	$0.050
Office expense per $100 insurance ----------	$0.001	$0.004	(?)
Expenses of adjustments per $100 insurance -----	$0.002	$0.003	(?)

From this it is seen that the same principle holds true in New York, the cost per $100 being more than twice as high in the large-area companies as in the local-area companies. In other words, it required only 15.2% of the premium receipts in the local-area companies to operate the company, whereas 38.8% of premium receipts were required in the large-area companies.

Some light as to the cause of this difference in total cost per $100 of insurance is given by figures giving the relative costs for of-

ficers' salaries, office expenses, expenses of adjustments, etc. These run consistently higher in New York State per $100 insurance, the larger the area covered.

G. H. Powell, in his "Cooperation in Agriculture", page 313, says: "The mutual assessment associations, like other cooperative businesses begin to lose in safety and strength when they attempt to operate as state mutuals or in other large geographical areas. Under these conditions the personal contact and acquaintance of member with member are weakened, the risks cannot have the personal examination that local mutuals give, the powers of the association have to be delegated to employees or agents, the moral hazard increases, and the assessments are likely to grow in number and size. While some of the state mutuals are successful, their general condition compares unfavorably with that of the local associations."

Solomon S. Huebner in his book on "Property Insurance", pages 60-61, says:

"Many attempts have been made, usually with unsuccessful results, to apply the mutual plan of fire insurance over one or more states. But these state mutuals, while retaining the objectionable features of the local mutuals -- namely, lack of assets, small volume of business, and assessments -- also lack their elements of strength. The moral hazard is increased as the territory within which a mutual company does business increases. When such mutuals attempt to write insurance throughout an entire state, they necessarily come into competition with the wealthier and more firmly established stock companies, and cannot secure business except at inadequate premiums. They also lack the business organization and the trained staff of experts possessed by the stock companies, and to secure business in sections far removed from the home

office, must depend upon agents for the soliciting of insurance and the selection of risks. The result is that the service is not of the best, and the supervision over the selection of risks is woefully inferior to that of the local companies.

"As long as the company grows and policyholders are not called upon to pay assessments, the management hears few complaints, and few members find occasion to trouble themselves about its affairs. The officers in too many instances ambitiously strive to rapidly increase their business, and in doing so depend upon agents, whose interest it is to write as much insurance as possible. But in the course of time the poor selection of risks begins to bear fruit. The low premiums are found woefully inadequate, and assessment after assessment must be collected from the policyholders to meet the ever-increasing claims. It is then that the policyholders begin to rebel against what they regard as unreasonable charges. As the claims against the company become more pressing, it in turn must resort to pressure, and even litigation, to collect the assessments, and then follows wholesale withdrawals and at last bankruptcy.

"This has been the story of the great majority of state mutuals. By extending their activities over too large a territory, personal supervision could not be exercised over the risks accepted, and powers delegated to employees were too often abused or inefficiently exercised. The rates were too low and the hazardous risks too many, and the result could not be other than failure. We are informed that at a recent date only two or three out of the seventy-four state mutuals in New York in 1853 were still in existence. To insure their greater safety, a number of states have passed laws with special reference to their organizations and operation. The number of applications for insurance which must be

in hand before their organization is perfected is usually much larger than is required for local mutuals. The class of business which they may accept is carefully limited in certain states, while in others a limit is placed upon the amount of insurance which may be written on any one risk."

INSURANCE OF NEGRO FARM PROPERTY BY FARMERS' MUTUALS.

In a letter dated December 21, 1927, the Carroll County Farmers' Mutual Secretary, Mr. J. M. Thomas, writes: "We do not insure property owned by negroes, nor property occupied by negroes. We have a section in our by-laws which prohibits their insuring in this company.

"In regard to a company organized by negroes in this county (The Colored Mutual Fire Insurance Company of Huntingdon), we do not know of one of that kind in Carroll County; and according to the report to us of our County Court Clerk there has never been such a company."

On the other hand the Knox County Mutual insures both property owned and property rented by negroes on the same terms as that owned or occupied by whites.

OVERLAPPING OF TERRITORIES BY FARMERS' MUTUALS IS UNDESIRABLE.

At the present time only six of the 33 county mutuals existing in the state say that they do business in counties other than their own. These are the Carroll, Knox, Carter, Jefferson, Loudon, and Bradley County companies. We have no exact data as to the amount of business done in adjoining counties by each of these county mutuals, but we understand that the Carroll County mutual is actually doing considerable business in Weakley, Henry, and Gibson counties, and also some in Benton, but none in Madison; while on the other hand we are informed that the Knox County company does but little business outside Knox County, and

is gradually withdrawing from adjacent counties, though it never had very much business in them.

The overlapping of companies in any given area seems to be undesirable for several reasons:

(1) It creates competition among farmers' mutuals whereas there should be the finest of cooperation.

(2) It tends to cause undesirable risks to be accepted, and too high valuation placed on other risks.

(3) Inefficiency results from having two or more companies traveling the same roads to inspect, reinspect, adjust losses, etc.

In a letter dated January 18, 1928 Mrs. Pauline Glick, Secretary of the Tennessee State Mutual explains the position of that company as follows:

"We are now entering some new counties at the recommendation of the Tennessee Farm Bureau Federation, and in such cases our representative is connected with the local Farm Bureau. As you probably know, there are several assessment mutual companies operating in East Tennessee and our business does not, therefore, extend very far in that direction as we do not plan to work in conflict with any company already established."

The accompanying map shows the extent of overlapping at present in the various counties. It will be observed that for the state as a whole very little overlapping is now being done, but in a few counties, especially Weakley, Giles, and Roane, the situation could evidently be improved.

For a future policy in this respect the following is suggested:

(1) A county mutual should look upon its own county as its especial field, and should be perfectly willing to withdraw from an adjoining county in which it is operating when a representative group of farmers

in this adjoining county are willing and ready to take over the business through the formation of a company for that county.

Map IV. TERRITORY COVERED BY COUNTY AND STATE FARMERS' MUTUALS Feb. 1, 1928



= a county mutual operating in home county only.

= a county mutual operating in home county and adjoining counties.

Blue figures = counties in which the state mutual operates.

(2) The State Mutual should:

(a) Withdraw from counties in which a reliable county mutual is operating already. This would affect only Weakley County now.

(b) Establish agents in no new counties in which county mutuals exist. There remains about 2/3 of the state for the State Mutual to cover, under this plan.

(c) As new county mutuals are formed the state mutual should withdraw its business gradually from the county in question, and turn its business over to the

county mutual. The county mutuals are offering a larger coverage, per $1.00 cost, than the state mutual is apparently able to offer, and hence it is to the best advantage of the farmers to patronize them where available.

By pursuing this policy, which is an unselfish one, it would seem that the various organizations would be serving the best interests of the farmers of the state.

FORM OF ANNUAL REPORT REQUIRED AND PUBLISHED BY THE STATE DEPARTMENT OF INSURANCE.

The form of report required by the State Insurance Department of county mutuals is very simple, consisting of only two small pages of data. It shows the income, disbursements, assets, liabilities, and risks and premiums of the company for the past year. This blank has been used, without change, by the State Insurance Department for at least 8 or 10 years, and possibly longer.

The blank form on which the Tennessee State Mutual is required to report is the same as that required of mutual fire companies of other states doing business in Tennessee. This is the form adopted by the National Convention of Insurance Commissioners, and has been used in Tennessee for perhaps 8 or 10 years also. However, from time to time there have been a few slight changes made by way of improvement in this blank.

The 1924 report of the Superintendent of Insurance for New York State is published in four large cloth bound volumes, as follows:

Volume I contains	1583	pages
Volume II contains	688	"
Volume III contains	1166	"
Volume IV contains	785	"
Total -------	4,222	"

In contrast with the above Tennessee publishes each year a small paper-bound booklet of 266 pages all told.

Of course the volume of business done by the insurance companies is larger in New York than in Tennessee, but that does not account for the fact that the New York reports are almost sixteen times as extensive, for the larger volume of business can be summarized on a comparatively few number of pages if the reports be presented in the same way as the Tennessee data. The difference consists mostly in the fact that New York renders reports in a much more complete and detailed fashion than does Tennessee.

For instance, Volume IV of the New York report is devoted entirely to Cooperative or Mutual insurance companies, and contains 785 pages. An average of about 1 1/2 pages in the report is given to each of the county farmers' mutual companies, this giving a good understanding of the work being done by each. For example, it shows: the name and address of the company; names of officers; date of organization; income, itemized; disbursements, itemized; assets; exhibit of policies, etc. And in addition to this, twelve pertinent questions are answered for each company.

By means of these reports, over a series of years, students of insurance and the public in general can understand and know what is going on in any particular company or any class of companies. Such reports should help:

(1) To give the public a better understanding of the mutual insurance system and its benefits.

(2) To standardize practices among the companies for each can see what other similar companies are doing.

To render a service of this kind to the farmers' mutual companies of Tennessee and to the citizens, the commissioner would only have to add about 50 pages to his report.

The Tennessee Commissioner of Insurance formerly reported on each of the county farmers' mutuals but this was discontinued several years ago. But detailed reports are still given for each domestic company devoted to:

(1) Fire and Marine (except county mutuals).

(2) Life insurance.

(3) Casualty companies.

(4) Fraternal orders.

(5) State farmers' mutuals.

In the case of most of these companies several pages are devoted to a detailed analysis of its business. For instance, in the case of the National Life and Accident Company of Nashville twelve pages of the 1926 Tennessee report is devoted to it.

Why should detailed reports on farmers' mutual companies be denied when they are given for every other domestic company? It would seem that at least 1 1/2 pages could be fairly expected to be given to each of them.

COULD FARMERS' MUTUALS OF TENNESSEE INSURE STANDING TIMBER FOR THEIR PATRONS?

In many counties of Tennessee one of the most valuable types of farm property is standing timber. For instance, in a study made of Overton County it was found that almost two-thirds of the area of the county is in woodland. A large percentage of this is owned by farmers in connection with their crop land.

At the same time one of the largest sources of loss to farmers is from fire, lightning, or windstorm in their standing timber. It appears that at present very few farmers can or do carry insurance on this type of property, and hence the entire loss must be borne by the unfortunate individual affected. If some practical plan could be worked out for distributing this loss it would probably be very acceptable to many farmers, and at the same time relieve them of the distress and discouragement caused by a sudden and heavy financial loss.

The question arises as to whether or not the farmers' own organization, the county farmers' mutual insurance companies, could arrange to handle this type of risk. If they were to do so it would of course be necessary for them to establish a special class of property for this type of business, and set their rates on it in proportion to the probable risk. Probably it would be desirable, too, that they limit rather closely at first both the total amount which will be granted per 100 acres of timber, and also the percentage of value which will be written. It might be desirable at first also to insure against only one type of risk until experience is gained in the field, with the idea that if it later seems desirable the insurance can be extended to give complete

coverage as to fire, lightning and windstorm.

There are two arguments which may be offered for taking up this type of insurance. First the farmers need it; and thus the company would be serving a real need. Second, it would increase the volume of business of the company and thus should result in decreased overhead per $100 insurance and thus reduce the necessary cost.

It might be desirable, at least for a time, for the company to operate this type of insurance as a separate unit of its organization, thus requiring the men who carry timber insurance to pay the losses which occur rather than spreading it over the entire membership of the company. Another advantage would be that this would require that the losses be calculated as a separate group, and thus would enable the company to better profit by its own experience and the experience of other companies with this type risk, and adjust its rates and regulations accordingly. Certainly the records on this type of business should be kept separately, even if the business is not conducted as a separate unit.

In this connection it may be said that the formation of a separate unit within a company, for the purpose of handling a special type of business is a very common practice with the larger insurance companies, both stock companies and mutuals.

Another plan that might be worked out for handling insurance of this kind would be to arrange for intercompany cooperation between organizations covering two or more counties. This would spread the risk over enough territory, and among enough policyholders, to prevent a loss from causing the failure of any company.

There are a number of difficult problems that would be met with

in connection with insurance of this kind, but it is probable that these are not insurmountable if approached in a careful and conservative manner. At any rate this is a class of farm property which is now being passed over by the mutuals and it would seem to at least deserve their careful consideration as to the possibilities of covering it.

LIABILITY OF MEMBERS OF A MUTUAL FIRE COMPANY.

In a letter under date of December 17, 1927, Judge J. R. Mitchell of Crossville says in regard to farmers' mutual fire insurance companies: "It is a very dangerous matter if they are not properly managed, as the liability is great on a few responsible men. Ordinarily I would not recommend that anyone go into a company of this kind unless he knows well those who are responsible for the management of its affairs."

This illustrates an idea which many people appear to hold; namely; that one lays himself liable to very heavy assessments when taking insurance in a mutual company. As a matter of fact, regardless of his wealth one is liable for only his pro rata share of any losses that may occur.

FARMERS' MUTUAL INSURANCE COMPANIES HAVE BEEN ENDORSED BY MANY LEADING AUTHORITIES.

In his annual report as of December 31, 1906, Mr. Reau E. Folk then State Commissioner of Insurance says:

"I am very firmly of the conviction that our present law relating to mutual fire insurance companies should be liberalized so as to encourage the organization of more mutual companies throughout this State. There are at present eleven mutual companies in the State, nine of which

are county or farm mutuals, and two do a more or less general business. The reports of these companies show successful operation. The loss ratio, especially with the county or farm mutuals, is exceedingly small, and the assessments among members correspondingly low, these assessments being only a fractional part of the stock company rate on the same character of property. I am impressed with the fact that these mutual companies guard more carefully against overinsurance and the moral hazard than do stock companies. Being in existence only for the protection of their members, they are removed from the temptation of gambling for profits. A sound system of mutual companies in this State, in my opinion, would make much more satisfactory and healthy general conditions as to rates and losses. My observation has been that such has been the result in all states where a mutual system is general in its operations. I have in mind a state which has a network of mutuals throughout its counties. They have a state organization, through which they effect reinsurances, with the result that the burden of their risks is equally distributed over the entire state. I would like to see such a system brought about here. I believe thoroughly in mutual insurance. It is the ideal insurance."

Mr. J. Will Taylor, Commissioner of Insurance in 1914, said in his annual report in regard to the farmers' county mutuals: "These companies are operated strictly upon a mutual basis, and are furnishing insurance at actual cost, and are of much value to the agricultural interests of the state."

The Tennessee Farm Bureau Also Endorses Farmers' Mutuals. In his annual address before the Tennessee State Farm Bureau in 1926 President

J. F. Porter of that organization says: "There is to be found in many counties County Farmers' Mutual Fire Insurance Companies, and we also have the Tennessee State Farmers' Mutual with headquarters at Nashville. These companies are saving the farmers thousands of dollars annually. Insurance of every kind has come to be looked upon as a necessity, and whether it is sound business or not, most of us feel it a duty to carry and a fear to be without it. I believe, however, that millions of dollars are being paid in the form of insurance premiums that never come back -- except in the nature of loans given in return for mortgages on farms and other property. I would suggest to every farmer to give some thought to his insurance. Fire and lightning insurance in mutual companies will save a very high percentage of your insurance costs.

"Our investigations to date of farm mutual automobile insurance indicates a saving to farmers of over 50% in premiums."

In New York State the National Grange was responsible for the organization of a number of local farmers' mutual fire insurance companies, these companies at first supplying the needs of the Grange members only. In Iowa and some other states the Farmers' Union has sponsored some companies of a similar nature.

During 1927 the Tennessee Farm Bureau has been sponsoring the Tennessee State Farmers' Mutual, and has requested that organization to write business in a number of counties not previously covered. In these cases the representative or agent of the State Mutual is connected with the office of the County Farm Bureau. In taking this action the Tennessee State Farm Bureau Federation feels that it is rendering another worthwhile service to its members. The present officials of these two organizations are very closely connected, and this possibly accounts

in large measure for the Farm Bureau sponsoring the expansion of the State Mutual into new territory rather than factoring the thirty-odd county mutuals now in existence and attempting to organize county mutuals in other counties not now covered. The county mutuals are furnishing combined fire, lightning and tornado insurance at lower cost than this can be secured through the state mutual, and payment of a loss is apparently just as sure.

Mr. F. W. Card in an article on farmers' mutual fire insurance companies in Bailey's Cyclopedia of Agriculture, Volume IV, says: "Farm buildings are peculiarly liable to damage from fire. Lightning and lanterns are responsible for a large percentage of this loss. The severe summer thunder showers that frequently occur when barns are filled with heated hay and grain are responsible for many fires at that season of the year. As winter approaches, with its shortened daylight hours, lanterns must be brought into use in the night and early morning. Accidents with these are inevitable, and inflammable material is ready at hand when they do occur. Furthermore, few facilities for fighting fire are to be found on most farms.

"These conditions, with their consequent losses, have led the old-line insurance companies to discriminate against farm property; rates have been advanced or risks entirely refused. As a result of this, mutual companies have gained much headway in farming communities. In Iowa alone, there are 155 county mutual companies, and 16 state mutual companies reported for the year 1906. When properly managed, these companies have given excellent satisfaction, providing insurance at considerably less expense than the old-line companies and affording a greater feeling of security to their members. Being managed by farmers and neighbors, the party insured feels that there is less likelihood

of attempts to avoid payment being made in case of loss."

FARMERS' MUTUALS ARE VERY GENERALLY SUCCESSFUL.

Among the forms of cooperation among farmers one of the most satisfactory has been that of mutual fire insurance companies. The movement on the part of old-line companies to avoid risks on farm property, which has been apparent for several years past, together with the increase in rates demanded upon such property, has favored the development of mutual insurance companies among the farmers themselves.

In many instances these companies have met with difficulties at first, and some have died an early death, from lack of knowledge of insurance methods and the safeguards with which it is necessary to conduct the business. The outcome, however, has in the majority of instances been entirely satisfactory, resulting in safe and well managed companies providing insurance at much less cost than in the old-line companies.

In general, then, it can be said that few, if any, attempts at cooperation among farmers have proven so generally successful as have their efforts to provide themselves with fire insurance by means of mutual companies owned and controlled by themselves.

Essentially the same can be said of the farmers' windstorm insurance, where companies for this purpose have been separately organized and made to cover a substantial territory, and have been so operated in close contact with the local fire insurance mutuals; or where the same company has handled both types of insurance risk as is the case with many of the Tennessee mutuals.

THE FARMERS' MUTUALS HAVE BLAZED THE TRAIL FOR OTHER FARMERS' COOPERATIVES TO FOLLOW.

Of course problems of a farmers' mutual are somewhat simpler than those of a farmers' commodity cooperative. This is so for several reasons:

(1) A commodity cooperative really has to sell to two classes of people. (a) It has to sell its commodity to consumers. (b) It has to sell its services to its farmer members. But an insurance mutual has to deal with only one group, and that is its farmer members. When it sells its services to these people its selling job is done.

(2) All of its selling operations are done locally and to people with whom it comes in frequent contact. Thus two advantages accrue. (a) It does not get mixed up in all the complicated economic machinery with which a cooperative selling a commodity on wide markets has to deal. (b) Any questions and complaints of members can be adjusted by personal explanations, and without large expense. Most of the larger commodity cooperatives have found it necessary to maintain a "Field Service Division" for this very purpose, but where a relatively large area is covered the expense is pretty heavy per member.

(3) The company is rendering a real service to the farmer member every day in the year by keeping his property insured at a reasonable rate. Many of the commodity cooperatives come in contact with a member only for a brief period during the year, and it is more difficult to maintain the interest of patrons under these circumstances.

(4) It is usually possible for a mutual to make payment of any amount due its members very promptly, whereas in the case of some of the commodity cooperatives' settlements are sometimes spread over a period of several years. This delay is distasteful to many farmers,

and adds to the difficulty of keeping that commodity cooperative's members satisfied.

Some essentials for success in cooperative effort are well exemplified in mutual insurance practices. For example:

(1) There has been an idea in the past with quite a number of people that for a cooperative enterprise to succeed the farmers who are members "must have the spirit of cooperation in them and be willing to fight for it, and make sacrifices for it -- like religion." This has been the idea especially of quite a large number of people who have been interested in cooperative marketing. More recently many cooperative marketing students and many associations have been getting away from the religious fervor method of cooperation in favor of a strictly business conception, or the view that the members should recieve some profit from their participation.

(2) It was also a common concept, not so many years ago, among many cooperative marketing men that strict legal contracts over a period of years were necessary for a successful cooperative. But now these legalistic methods are being discarded in favor of the idea that the association must render sufficient service to its members to hold them voluntarily, or it cannot hope to succeed.

It is interesting to note that neither of these concepts that are now being abandoned by the cooperative marketing officials have in recent years had any vogue among farmers' mutual insurance men. The mutual insurance company is looked upon strictly as for the mutual benefit of each member participating and no one is expected to join or to continue his membership unless he will receive such benefit; and any

member is free to retire from the company at his pleasure. In other words, the mutual insurance companies were much ahead of the cooperative marketing organizations in getting on a sound basis in this respect; and the latter could have saved themselves much time, trouble, and expense if they would only have set themselves down at the feet of those old and successful farmers' cooperative organizations and learned from them the fundamental principles on which they have succeeded.

The farmers' mutual fire insurance companies have been blazing the trail for the other farms of farmers' cooperative organizations in Tennessee in the matter of the form of contract, but at first the commodity cooperatives refused to follow the lead. That is, the insurance mutuals have had a form of contract which was either perpetual or for a five year period, but from which the patron can withdraw at any time by settling all valid claims to date. Similarly, the company has the right to cancel the contract at any time by giving due notice of same; and also has the right, and exercises this right, to refuse to insure any farmer, at its discretion.

These three things have recently been adopted by a large number of commodity cooperatives, including the Tennessee Cotton Growers' Cooperative Association, and a great deal of publicity has been given to "the new form of contract", as if something new under the sun had been discovered. As a matter of fact, the farmers' cooperative insurance companies of Tennessee and other states, which were organized by farmers themselves and have been operated successfully by farmers themselves for several decades, have been using this so-called new form

of contract for many years.

Probably if the commodity cooperative associations had been organized by the farmers themselves, instead of by someone from the outside, they would have adopted this form of contract from the beginning. Certainly it is being found much more satisfactory both to the farmers themselves and to the managers than were the elaborate and hide bound documents which were drawn up by legal minds. To the farmers these latter contracts did not appeal, there being a feeling among some that the contract was written from the standpoint of the company rather than from that of the member; in other words, the member was made for the company's benefit rather than the company to serve the members' purposes.

This is only one of a number of important things that the commodity cooperatives might learn from the farmers' own insurance cooperatives.

SOME WAYS IN WHICH FARMERS' MUTUAL COMPANIES HAVE IMPROVED DURING PAST FEW YEARS.

(1) In volume of business.

(2) Better laws have been secured to govern their business.

(3) Better business methods have been learned.

(4) Better underwriting habits have been acquired.

(5) More loss prevention work has been done.

(6) In spite of increased cost of labor and materials and of all classes of farm property, insurance costs have not materially increased.

(7) In spite of increased hazards of gasoline, electricity, the cigarette, matches, atomobiles, lightning, radio, telephones, etc. in the later days there has been but little advance in mutual rates. This indicates remarkable progress along loss prevention lines.

THE MERCHANTS' MUTUAL OF GREENE COUNTY:
POSSIBLY A GOOD EXAMPLE FOR SOME OTHER COUNTIES.

In 1917 Mr. A. C. Smelcer of Smelcer Brothers, merchants of Mohawk, Tennessee, organized a mutual fire insurance company that seems to be unique among such organizations in Tennessee. It is known as the Merchants' Mutual Fire Insurance Company of Greene County, Tennessee. It insures "only store houses and warehouses, merchandise, fixtures, and such equipment as may be kept in a store for operating the business," according to the by-laws. It insures property in villages and in the country, but not in any town or village with a population exceeding 2,000. Its territory is restricted within the boundaries of Greene County by the state law. Thus we see that it is permitted to operate in the open country and in all the towns and villages of Greene County except Greeneville.

While the constitution and by-laws provide that the company may insure against fire, lightning and windstorm it has been the policy of the officers to insure only against fire. Not more than $1500.00 is written on a single risk, and not more than 2/3 cash value of any risk is written. The company operates strictly on the assessment plan and no reserve is carried.

A unique feature of this company is that neither the Secretary, President, or other officers receive any salary. One-half of one per-cent is charged and collected at the time the policy is written to cover incidental expenses, and officials are paid $2.50 per day and expenses when engaged in official business for the company. No special agents are employed.

During the existence of this company only three losses have occurred, the total amount paid for all of them being $3250.00. On January 27, 1928, there were 116 members of the association, there being $139,500 of insurance in force on January 1, 1926. The President states that only about $16.00 per member is required as an assessment to pay a loss and all expenses connected with it.

In some counties the Farmers' Mutual, where one exists, insures the property of county merchants also, while in other companies such property is not accepted. Some farmers' companies state that they formerly carried such risks but are not doing so any more as they found it too hazardous.

In counties where there is no farmers' mutual and it is not practical to organize one; and in counties where the present farmers' mutual does not insure the property of country merchants and cannot be induced to do so, it appears that this company may set an example which might well be followed. The experience of this company does not indicate that the risks are especially hazardous where appraisals are conservatively made and the business conducted in a careful manner. It would seem to be more desirable to have this type of property and farm property handled by the same company where possible, however, since it would both diversify the risks and enlarge the business of the company. In certain instances the merchants mutual might be organized first, since they may appreciate the value of insurance more than many farmers, with the idea of later expanding the operations of the company to include all desirable types of rural property in the county.

Mr. A. C. Smelcer, the President of the above company, ends his enthusiastic report with the statement that "This company has been the means of securing a great saving for country merchants."

WEAKLEY COUNTY FARMERS' MUTUAL - THE BABY COMPANY.

This company was organized in 1928, the officials being Mr. W. L. Newberry, Secretary, and Mr. W. W. Bandy, President. The headquarters is at Gleason, Tennessee, which is in the southeast corner of Weakley county. Gleason is only a short distance from McKenzie which is the headquarters of the Carroll County Mutual. Mr. Newberry, the Secretary of the new company, is a man about 33 years of age, and has been engaged in buying and selling sweet potatoes at Gleason for several years.

Weakley County now seems to be pretty thoroughly covered by farmers' mutual companies. The Carroll County company, which was organized twenty-one years ago (1907) has been doing considerable business in Weakley County, and the Tennessee State Mutual reports that Weakley County is one of their largest business areas, being only exceeded by a few of the Central Basin counties near Nashville.

TENNESSEE FARMERS' MUTUAL FIRE INSURANCE COMPANY.

The above is the official title of the company which is popularly referred to as the "State Mutual." It is now reported by its Secretary to have between 5000 and 7500 members scattered over many of the counties of Middle Tennessee and part of West Tennessee. Its headquarters is at Nashville.

This is strictly a flat rate company, the rates charged ranging from 40¢ to 60¢ per $100 insurance per year, depending on the character of the building and material of roof.

This company has with the approval of the State Department of Insurance, perfected an arrangement with the Northwestern Mutual Fire Association of Seattle, Washington, which enables the company to in-

sure against loss by tornado and windstorms, 90% of all such insurance in the Tennessee Mutual being immediately transferred to the Northwestern. The rates charged for this windstorm insurance is exactly the same as that charged by the stock companies, hence the only advantage to the farmers of this arrangement is that it enables him to carry all of his property insurance in one company. The tornado branch of this company's business was only begun on November 1, 1926, as previous to that time they had no arrangement whereby the greater part of such business could be reinsured, and the officials did not believe that it was safe for the company to assume this class of risks.

The regular policies of this company cover against loss and damage by fire and lightning only. When additional coverage for hail damage is included in such policies an additional charge is made, this being the same as that charged by the old-line companies for such coverage.

The maximum amount of insurance carried on a single risk by this company is $4000 and this only in the case of brick buildings with fireproof roofs. Very few risks exceeding $3000.00 are carried, and the company reduces its excess lines by reinsuring in the Northwestern.

When the company was organized in 1911 it was necessary to sell stock to private individuals to secure the cash to deposit with the Commissioner of Insurance the required amount of approved securities, known as the Guaranty Capital, to enable them to issue a non-assessible policy. In 1916 it became possible to retire the stock by buying it up. Of course the required deposit of securities, amounting to $25,000, is still maintained.

In addition to the above, the state requires the company to maintain a reinsurance reserve which is one-half of the cash premium payment on policies of one year and yearly payments on installment policies, while in the case of three year cash policies the company is required to show a reinsurance reserve of five sixths of the full amount the first year, one-half the second year, and one-sixth the third year.

This reinsurance reserve, of course, as well as the Guaranty capital of $25,000, is the property of the company and is loaned on farm real estate in amounts not to exceed 50% of the farm value -- but the company must at all times show these amounts on hand to maintain its standing with the Insurance Department.

In a letter dated November 18, 1927, the Secretary, Mrs. Pauline Glick says:

"We know that different plans of mutual insurance are being successfully operated in the North and East and although we realize that we cannot operate as cheaply in the South, we believe that we can at least save a great deal of money to the farmers of our state.

"We of course believe that our plan of charging cash in advance is better than the assessment plan; however, we know that assessment companies are successfully operated. But our information is that such companies are usually restricted to a county or at least to a relatively small territory. When a company operates over an entire state, as we do, we do not believe it practical to furnish insurance protection on credit.

"The premium rate which we now charge on frame shingle roof dwellings should be increased; and that charged on barns, farm outbuildings and farm personal property should be at a higher rate than that charged

on frame shingle roof dwellings; also the rate on school houses should be materially increased. We have arrived at these conclusions from losses covering a period of years. All our fire and lightning rates are extremely low in comparison with those charged by the old-line companies, and on the classes named above increases should be made by all means."

From the above it is seen that this company classifies risks to some extent, a thing that the county mutuals have not thus far attempted to do to any great extent.

The office equipment owned by this company is valued at $2238; the Secretary received $2,400 per year, and the President $700 per year and expenses. Losses paid by the company amounted to $38,701 in 1926 and $38,574 in 1925.

Special agents are employed by the company to secure business, these receiving 25 cents on each $100 of new insurance written, and the same amount for renewals. A small amount of advertising is done in the newspapers, and small pamphlets and annual statements are printed for distribution.

Losses are adjusted by adjustors appointed by the company. In case of disagreement an arbitration committee is appointed, one person to be appointed by the company, one by the member sustaining the loss, and these two selecting the third. The decision of this committee under oath is final. Losses are paid on the average from 30 to 60 days after the loss occurs.

Only farm property and similarly segregated risks in towns or the outskirts of cities is insured. Livestock in buildings is insured and also grain in buildings on the premises. Policies are written for one year, three years, or five years. Only 2/3 of the cash value of the

property is covered by a policy.

This company was organized in 1911 by farmer members of the Sumner Mutual who withdrew when Mr. De Long was ousted as manager of the latter. Mr. De Long was made manager of the Tennessee and was succeeded as manager by his daughter, Mrs. Pauline De Long Glick of Gallatin. Mr. De Long is now dead.

Since its organization the Tennessee Mutual has had a successful record. It selects its risks carefully, both as to fire risk and moral risk, and is said now to have "the cream of the farm property of Middle Tennessee" on its list.

The Tennessee Mutual started out to charge a flat advance premium of 50¢ but has since begun to classify its risks and now charges about 44¢.

The Tennessee will not insure within an incorporated town as a fire might wipe it out and ruin the company.

Officials of the Tennessee Mutual claim that a state mutual is better than a county mutual for two reasons:

(1) They say the overhead is less.

(2) That the management is better.

The Tennessee Mutual has been a member of the National Association of Mutual Insurance Companies for about ten years and officials feel that the company has been well repaid for the money spent for dues.

The company has a paid-up guaranty capital of $25,000 under control of the State Commissioner of Insurance which sum is held in trust for the protection of the policy holders and for payment of losses. This enables the company to issue a limited assessible policy. In addition to the above Guaranty Capital, the state requires the company to maintain a certain reinsurance reserve fund. These, together with

other assets of the company, amounted to slightly over $100,000 at the beginning of 1927, according to a letter from the Secretary and Treasurer, Mrs. Pauline Glick, under date of November 18, 1927.

The original, regular policy of the Tennessee Farmers' Mutual Insurance company covered loss and damange by fire and lightning only. On November 1, 1926, a tornado and windstorm branch of the business was started. The last mentioned policies are issued separately and apart from the fire and lightning policy and a separate premium is charted for this coverage with an additional charge where hail damage is included in such policies. 90% of all such insurance is transferred by reinsurance agreement to the Northwestern Mutual Fire Association of Seattle, Washington, and the premium rate is the same as that charged by old-line companies.

A provision of the law under which the above company operates specifies that the officer or agent soliciting business shall be paid a fixed fee or salary for such services and not receive his compensation in the form of commissions.

The Tennessee Mutual writes policies on a cash advance premium plan for a term of one, three, or five years and on a five-year basis for the installment type of premium-payment.

According to the annual statement to the Tennessee State Department of Insurance the Tennessee Mutual had in force December 31, 1926, fire and lightning insurance to the amount of $11,140,750 with slightly over $1500 of tornado, windstorm and cyclone coverage in addition. The rates charged on fire and lightning protection range from 40 cents to 90 cents per $100 of insurance per year, depending upon the character of the building and material of the roof.

The Tennessee Mutual can write policies anywhere in the state but its main volume of business is in Middle Tennessee counties. Officials of the company estimate the total number of policies now in force to be between 8000 and 9000. Net risks in force amounted to over 11 1/4 millions at the end of 1928, which sum has much enlarged within recent months due to the failure of the large Sumner County Association and many of its former members taking policies with the State Mutual.

In a letter dated February 1, 1928, Mr. Homer Hancock, Vice President of this company says: "No doubt you are aware of the fact that the Tennessee State Mutual is offering farmers good insurance at a reasonable cost. This cost is from 35% to 50% less than that charged by the old-line companies. We have every reason to believe that our company is on a sound basis, paying its losses promptly and without much if any litigation. We still have a surplus on hand to meet possible emergencies. The Insurance Commissioner of the state advises that for the amount of insurance in force we are just as sound and capable of taking care of our losses as any company operating in the state. The company at present has about $14,000,00 of insurance in force."

In a letter dated January 18, 1928, Mrs. Pauline Glick, Secretary of the Tennessee State Mutual says:

"Until of late years our business was confined to Middle Tennessee except for Weakley and Gibson Counties in West Tennessee.

"We cannot give you the number of policyholders by counties at the present time, but the bulk of our insurance is located in Rutherford, Sumner, Williamson, Wilson, and Davidson Counties, probably in the

order given. Next after the Middle Tennessee counties named above would come Weakley and Gibson, with the remainder of our business scattered through Trousdale, Marshall, Bedford, Giles, Lawrence, Madison, Coffee, DeKalb, Smith, Bledsoe, and Marions Counties in the order given.

"We are now entering some new counties at the recommendation of the Tennessee Farm Bureau Federation and in such cases our representative is connected with the local organization. New territories opened in this way are Obion, Fayette, Hardeman, Henderson, Chester, McNairy, Bledsoe, and Marion Counties. We do not plan to work in conflict with any county mutual already established, and hence our business does not extend far into East Tennessee.

"We do not have a record showing the exact number of policyholders in our company at present but estimate that we have at least 8,000 and possibly 9,000."

This shows the State Mutual to be operating in 24 counties, 13 of them being in Middle Tennessee, 9 in West Tennessee, and 2 in East Tennessee. Active plans are under way to begin operations in any of the counties which may have farm bureaus, but not county farmers' mutuals. Counties falling in this category are Haywood, Henry, Lincoln, Maury, Montgomery, Robertson, and Tipton, and hence it is likely that the state mutual will soon extend its activities to them.

There is only one state fire mutual in Tennessee of any kind. Under the laws of Tennessee State mutual fire insurance companies can be operated either upon a guaranty capital basis or upon a contingent premium basis. But the Tennessee Farmers' Mutual Fire Insurance Company of Nashville is the only State mutual fire company now transacting business in the state.

FARMERS' MUTUALS IN TENNESSEE THAT HAVE FAILED.

Although an idea is prevalent that farmers' mutual insurance companies sometimes "fail," as it is called, the term is a misnomer. The word fail cannot be correctly applied to this type of company so far as failing to pay its losses is concerned. These companies never fail to pay all losses in full. In case of a deficiency, an assessment must be made by the directors and each policyholder is obligated to pay his pro rata share of any and all assessments necessary to settle all fire losses and other obligations in their entirety. By a clause in the policy-contract, each member gives the company a lien on his property to the extent of the above assessment obligation.

Through mismanagement in all its various phases, a mutual company may have large disbursements to pay which, in turn, will make necessary the levying of heavy assessments. In consequence of this, there is sometimes considerable withdrawal from the company by members and a decision by the board of directors to liquidate the company's business and cease operations, but all losses and other obligations of the company are paid in full.

Of the nine so-called failures among farmers' mutual insurance companies in Tennessee listed in the accompaning table, Table XXVI, the Farmers' Mutual of Bristol was refused license at the end of its first year's operations and another company organized in Knox County the same year ceased operations also at the end of its first year's business. We understand the latter never really began functioning. A farmers' mutual organized at Nashville in 1895 is listed as failed two years later. A Home Mutual at Lexington was reinsured in the Southern States Company of Alabama after one year's business.

FARMERS' MUTUAL FIRE INSURANCE COMPANIES THAT HAVE FAILED IN TENNESSEE.

Table XXVI.

Name	Location	Date Admitted	Date Failed	Disposition
Farmers' Mutual	Bristol	1896	1897	License refused.
Farmers' Mutual	Nashville	1895	1897	Failed.
Knox County Farmers' Mutual	Knoxville	1896	1897	Failed.
Home Mutual	Lexington	1912	1913	Reinstated in Southern States, Alabama, 1913.
Lawrence County Citizens' Mutual	Iron City	1906	1914	Liquidated.
Willson County Farmers' Mutual	Lebanon	1909	1924	Reinsured in Sumner Co. Farmers' Mutual
Cumberland County Farmers' Mutual	Crossville	1923	1926	Liquidated
Colored Mutual Fire	Huntingdon	1925	1926	Suspended. Did not apply for license in 1926.
Sumner County Farmers' Mutual	Gallatin	1895	1927	Liquidated.

A more extended discussion of the other five companies mentioned in th in the table of nine failures follows:

Lawrence County Citizens Mutual Fire Insurance Company. This was a farmers' county mutual company with headquarters at Iron City, Tennessee, which is in the extreme southwestern corner of Lawrence County near the Wayne County and the Alabama lines. It was incorporated in 1905 and commenced to do business in 1906. Its policies were written to cover not only fire but also lightning and tornado. Policies were written for a term of five years. A membership fee of 75¢ per $100 of risk carried was charged, one-half of which was paid to the agents as commissions. The first President was J. M. Forsythe and the first Secretary G. W.

Sweeney. Net risks in force at the end of 1906 amounted to $408,155. The assessment during this first year was at the rate of 12 cents per $100. Unfortunately we do not have a record of the business transacted by the company between 1906 and 1913, but the annual report of the State Commissioner of Insurance for 1913 contains this statement on page 18: "There are now 20 county farmers' mutual fire insurance companies transacting business in Tennessee and, with one exception, all are doing well. The Citizens Mutual of Lawrence County sustained some heavy cyclone losses a few years since and much litigation resulted on account of the heavy assessments levied to pay them off. This has caused the withdrawal of nearly all the former members of the company, and on December 31, 1913, the outstanding risks of this company only amounted to $1900.00."

The report then goes on to say that "The Farmers' Mutual of Giles County (which is located directly east of Lawrence County) also sustained some heavy tornado losses, but the proper assessments were levied and paid by its members to promptly pay them off." As has been pointed out elsewhere, however, the Giles County Mutual also suffered much loss of business and narrowly averted failure. On December 31, 1912, the Lawrence County Mutual had only $21,840.00 in risks in force and no attempt was made to write new business during 1913. During this year $19,940 in risks was terminated, leaving only $1900 in force at the end of 1913. Fortunately only $29.97 in losses were incurred by the company during 1913, and the business was completely liquidated on January 1, 1914. Mr. J. L. Hollis was President of the company, and Mr. J. H. Spencer was Secretary, at the time of its liquidation.

Cumberland County Farmers' Mutual Fire Insurance Company. Information on this company was secured from the State Commissioner of Insurance, from J. A. Schulgen, former president, Judge J. R. Mitchell, one of the directors, and from J. E. Converse, former member and a well informed farmer of that county.

The company was organized in 1923, Mr. J. A. Schulgen, who has charge of the Cumberland Mountain School Farm being the leader. Mr. Schulgen went there from Bradley County where he had been a member of a farmers' mutual and was thus familiar with the workings of such organizations. The reason for its organization is stated by Mr. Schulgen to be that the Federal Land Bank required insurance on buildings on which they loan money, and the stock company rates being so high, it was felt that farmers could save some money in this way.

The company never attained a large size, there being a maximum of about 75 or 80 members with a total amount of insurance in force of only $105,000. Since the company was small they of course restricted their business entirely to Cumberland County, as they were required to do by law.

When the company was organized it was thought to be desirable to have as the field agent a man who had been born and reared in that section, the idea being that he could secure the confidence of the local farmers more easily. So a man of this kind was selected and put to work.

After being on the job for a time, however, it is said that the agent became the agent of a stock fire insurance company too, and as the latter company paid him a higher premium it is said that he recommended this in preference to the farmers' mutual, "telling his prospects that the latter was not safe." In the meantime the officials of the

farmers' mutual did not know that the agent was doing this and were depending upon him to increase the volume of their business. Their expectations in this regard were of course not realized.

During this time some fire losses were suffered by the company, and as the company was small these frequent and rather heavy assessments together with the slowness of some members in paying their assessments caused some of the best risks to withdraw. The outside activities of the agent were discovered about this time and he was dismissed, but it was too late, and the company was completely liquidated in 1925.

In a recent report Mr. Schulgen states that he hopes to reorganize the company before so very long.

The Wilson County Farmers' Mutual Fire Insurance Company. In a letter dated February 1, 1928, Mr. Homer Hancock, a prominent farmer of Wilson County, and now State Commissioner of Agriculture, writes: "The Wilson County company was organized mainly by a group of farmers, but they were dominated by one or two men who had in mind only selfish interests. These selfish gentlemen were able to have themselves put in positions of trust when in reality they had little interest in the farmers' welfare. In short, they were anxious to draw salaries. With this great handicap it is no mystery that they failed.

"Their next great trouble was that they employed incompetent agents who sought to write insurance for the revenue they would get themselves, rather than with a view of giving reasonable rates of insurance to the insured and at the same time protecting the company. I am led to believe that 90% of the agents wrote the property as high as possible, and it is easily understood why they had sufficient fires to destroy the company.

"It was just another case of farmers allowing someone else to look after their business; you are well aware that 99 times out of 100 this brings disaster.

"This company will not be reorganized, as the Tennessee State Farmers' Mutual of Nashville has taken over the cream of the property formerly insured in the Wilson County Company."

The former Secretary of this mutual was Mr. George S. Golladay of Lebanon, who is now agent for the Saint Paul Fire and Marine Insurance Company of St. Paul, Minnesota. In a letter dated January 30, 1928, Mr. Golladay emphasizes the statement that the company "did not liquidate, but reinsured its business with the Sumner County Farmers' Mutual" during July, 1924."

Hon. Homer Hancock further states: "The Wilson Mutual failed, or sold out, because of bad management. The manager was a lawyer living in Lebanon who knew nothing about agriculture and cares nothing. All that he was interested in was the pay that he got out of it.

"This company had a steady growth of insurance in force from $1,701,860 in 1913 to $5,702,552 in 1922 but dropped down to $4,939,469 in 1923. The rate in 1922 was 75¢ and in 1923 it was 70¢.

"In 1924 the company was taken over by the Sumner County company."

Sumner County Farmers' Mutual Fire Insurance Company. Hon. Homer Hancock, a former member of this company says: "The Sumner County Mutual is said to be the first farmers' mutual south of Ohio. A Mr. De Long came to that county from Ohio and organized it, he having had experience in such an association in Ohio. The first two years or three years it had hard sledding as the people did not know about it and losses were also very heavy in the second year. But after the third

year it got along fine and operated successfully for sixteen years under Mr. De Long's management. It was organized in 1895.

"Mr. De Long was not a politician, and just before the annual meeting in 1911 there was a severe blizzard which caused considerable loss. This causes some dissatisfaction and enabled a politician at Gallatin to get control as manager (Secretary).

"This aroused the ire of many of the members and they withdrew from Sumner and organized the Tennessee Mutual, with headquarters at Nashville and with Mr. De Long as manager. This was in 1911.

"The Sumner County Mutual failed because of bad management. The manager knew nothing of agriculture and cared nothing at all. He was interested only in his salary."

Sumner County had $6,263,181 insurance in force in 1913. This fluctuated up and down until in 1918 they had $6,769,168. It then grew until in 1921 they had $8,542,029 insurance in force. In 1922 this fell to $8,356,159 and in 1923 it fell to $6,732,537. Then in 1924 they took over about $4,939,469 of insurance from the Wilson County Mutual which gave them a total of $10,209,375. When the Wilson insurance is deducted, however, we see that Sumner had only about $5,000,000 if the Wilson insurance were eliminated. In 1925 they had lost nearly $3,000,000 during the previous year and had $7,594,911 in force and in 1926 they had only $4,997,356. Then they liquidated.

The rates in Sumner in past few years were:

1921 ----- 60¢
1922 ----- 75¢
1923 ----- 60¢
1924 ----- 70¢
1925 ----- 70¢
1926 ---$1.25

In a letter dated February 1, 1928, Mr. Hancock adds: "The Sumner County Farmers' Mutual was first organized on a sound foundation and operated successfully for 16 to 20 years. Then politics took a hand in affairs and put into position of trust incompetent selfish men. Decay immediately began and the company went to pieces in 1927. The Tennessee State Farmers' Mutual stepped in and took over the cream of the farm property formerly insured in the Sumner County Mutual."

In a letter dated January 9, 1928, Mr. R. P. Hite, President of the Sumner County Farmers' Mutual Fire Insurance Company, says:-

"The weak points of the Sumner County Mutual Fire Insurance Company were

"(1) Taking in too much territory. The business was scattered over seventeen counties. The company was organized for a Sumner County mutual only and as such gave good service at a low rate. However, some of the officers saw visions of a large salary by spreading out and getting more business.

"(2) Making the assessments at the end of the year. Too many defaulting in the payment of their assessments. Some could not be collected and all brought in small amounts which were expensive to collect.

"There has been no effort made to reorganize the company and there is not likely to be.

"I am a great believer in farmers' mutual insurance companies but they should be confined to small territory and the assessment should be collected in advance. 50 or 60 cents will cover the losses of any well-managed county company. If the year's losses do not absorb all the assessment it can be credited on next assessment, or better still, be applied to a surplus fund to be used whenever the losses exceed the assessment."

In a letter dated January 5, 1928, Mr. F. B. Gillespie, Vice President of the Sumner County Mutual Fire Insurance Company, says:

"In regard to the Sumner County Company, there were several things that were against the company. One was not having real agents in the different counties. Those they had insured buildings for more than the real value of the buildings; did not inspect buildings as they should have been inspected; did not look after flues, etc. as they should have done; and carried on business in counties that had many mortgages on homes and no way to meet the same.

"Also, there were too many fires that should have been avoided, and there were a good number of rented homes. In 1925 there was a great loss to the company.

"Another thing was taking over the Wilson County Company, which I opposed at the time. We think that there were too many fires on this mortgaged property. This was too large a territory for a home company.

"We had a splendid company until we branched out too far and began to get too many fingers in the pei. Three or four counties is all O.K. for a home company. We would have been all O.K. if we had stayed closer home.

"We have not taken any steps to reorganize. As to when we will reorganize, I cannot say at this time. I think home companies are all right, provided they have the right kind of agents and do not try to get too large. When we stayed close to home our assessments did not run over 50 and 60 cents. You must know your agents and not allow them too long a string."

In a letter dated January 5, 1928, Mr. B. E. Rippy, Secretary of the Sumner County Farmers' Mutual Fire Insurance Company says:

"This will acknowledge receipt of your letter of the 3rd relative to the cause of the liquidation of this company, after 32 years of successful operation in this and 16 other counties. In the first place, one of the reasons for liquidation is that we scattered our business over too much territory, getting so far away that no one in the office could know the property insured and hence could not know the hazard from the standpoint of the property nor the party insuring it. This condition existing, too much was left to the judgment and discretion of the agent who was frequently over-anxious for his membership fee, and would write property that should not have been written at all and other property too high.

"Then again, all policies that were written during the inflated values of real estate, were written too high, and being scattered as above indicated or states, was not properly inspected and reduced when the slump came, and the conditions of the farmers in this section of the country, having mortgaged their farms and trying to pay interest and pay off the mortgages, with farm products selling around or below the price of production, made it profitable to them to have a fire, and while it would not be necessary for them to actually burn their property, the tendency would naturally be toward being more careless than if conditions were more favorable to them. These conditions existing, our rate gradually went up until it would take around 70 to 80 cents on the $100 to pay our losses and expenses, and then when this rate reached this point, the members began to withdraw their better property and put it in old-line companies, that is, brick houses with metal roof or frame

houses with metal roof and good flues, would take a lower rate in an old-line company than they were paying in our company, and they would take this property out of our company and leave their barns and tenant houses with us, making us carry their most hazardous risks, and in consequence of which our fire losses did not reduce in the same proportion as did our business reduce by reason of cancellations, and our rate gradually went up until we knew that if we continued business, the rate the first of this year would be out of all reason, so we stopped the liability by cancelling all policies on August 15, 1927.

"Another mistake of this company was making the assessments too low at all times when the conditions of the country were more favorable, thus not making them sufficient to create a surplus to tide over such times as we are now having. The directors were ever anxious to have a low rate or assessment, not remembering that the members will soon forget all the low assessments the company might have, but will never forget one high assessment. The farmers never figure averages, but remember forever the things that are against them, and soon forget what has been done in their favor.

"No steps have been made to reorganize this company, and perhaps no other mutual will attempt organization in this part of Tennessee for some time, while I still think that if a mutual will stay at home and select its properties and moral risks, and not kill itself in its infancy by overhead expenses, that insurance can yet be carried at 30 to 50 cents per hundred dollars.

"Like all other organizations among farmers, they did their part of knocking the company, until now they are sorry they did not cooperate with the officers of this company and continue even if the next assess-

ment should be a little high.

"We will have a nice little sum to return to the members, after all liabilities are paid."

The Colored Mutual Fire Insurance Company of Huntingdon. W. M. Scates, Route #3, Trezevant, Tennessee, who was the president of the above company, writes under date of January 31, 1927: "We were organized at Huntingdon, Tennessee, in 1925. The reason for organizing the company was to reach the unreached and rejected ones, for most of the colored population all over the county was rejected by the Carroll County mutual. These people were suffering much loss and it was felt that they should receive help in some way.

"The number of prospective members signed up was approximately 100. No insurance was actually written, but applications were taken for the amount required by the state law, namely $50,000.

"The cause of the so-called failure of the company was short crops and low price of cotton. For this reason we did not push the matter at that time, but suspended operations without actually writing any insurance. But we are trying to be up and going now."

Records in the Register's office of Carroll County show that this company was organized and applied for a charter on May 4, 1925. The following parties applied for the charter: W. M. Scates, E. N. Coleman, J. W. Howard, J. N. O. Hillisman, and J. E. Williams.

The records of the State Department of Insurance show that the company was licensed to transact business in the state in June 1925, but that the company did not make application to continue in business during 1926. These records show further that the officers of the com-

pany were as follows, all of them giving their addresses as Route #3, Trezevant, Tennessee: W. M. Scates, President; J. E. Williams, Secretary; and W. M. Scates, E. N. Coleman, J. W. Howard, J. N. O. Hillisman, and J. E. Williams, Directors.

A STRONG STATE ASSOCIATION OF MUTUAL INSURANCE COMPANIES IN TENNESSEE IS DESIRABLE.

One of the most useful things for the county mutual fire insurance companies of Tennessee to do would be to strengthen their state association, which holds an annual meeting for the discussion of problems and practices of common interest. This also offers an opportunity for them to secure the attendance of authorities in this field from elsewhere, which brings them many new ideas. The objects of this organization is to promote the interests, the growth, and the general welfare of mutual fire insurance companies. Through its requirement of standardized annual reports, greater uniformity in matters of insurance and the keeping of records could be obtained. At present, the plans and practices among the county mutual fire insurance companies of Tennessee vary greatly. The state association might also well adopt certain minimum standards that a company must meet before it is eligible for membership in the state association, thus encouraging each of the companies to use the best practices. The latter is important from the standpoint of all the companies, for when one company fails or is convicted of unsafe practices the reaction proved harmful to all other similar companies, both at present and in the future.

The association is named the Tennessee Association of Mutual Insurance Companies. A number of the other states have associations of this kind, among those having come to the writer's attention being

Iowa, Missouri, Kansas, and New York.

Knoxville is a logical place for such an association to hold its meetings, since that city is very near the center of such activities in the state, and the meetings are held at that point every other year, the meeting being held at Nashville during years when the legislature is in session.

While the above named states hold their annual meetings in November, there is no good reason why some other season should not be chosen in Tennessee for the Knoxville meeting since conditions are more favorable at that time. In this connection there are four good reasons why it might be best to hold the meeting at Knoxville in May of each year during the East Tennessee Farmers' Convention. In the first place, the Farmers' Convention officials are willing to cooperate in bringing in some authorities on mutual insurance from elsewhere. In the second place, such authorities are more likely to come then, as it would afford them greater opportunity to render service. Third, much beneficial educational work can be done by having these authorities address the Farmers' Convention. This educational work is beneficial both to the present membership of the companies and to prospective members. Fourth, most of the officials and members of the companies are farmers and would probably like to attend the Farmers' Convention anyway, and in this way they are not only saved making an extra trip, but the attendance of insurance officers and directors is increased.

The 1928 annual meeting is being held in this way for the first time, and is being attended and addressed by Dr. V. N. Valgren of the Federal Bureau of Agricultural Economics and Mr. Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies, as well as a considerable number of prominent men within the state who

are interested in farmers' mutual insurance.

Mr. Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies, in a letter under date of January 13, 1928, says:

"I believe the first duty of the Tennessee mutuals is to their own state organization. They ought to support it with their money and their presence at its conventions. They ought to be interested in state legislation, they ought to be interested in the interpretation of the laws that are passed. They ought to be interested in doing everything that will enable them to render a greater service to their policyholders.

"I assure you that we are anxious for and greatly in need of the support and cooperation of every mutual that is really worthy of the name, but I am strongly of the opinion that their first allegiance is to their State Association."

In a letter under date of December 30, 1927, Mr. C. W. Baker, Secretary-Treasurer of the Tennessee State association says:

"The name of our state association is 'Tennessee Association of Mutual Insurance Companies!' The organization is composed of about a dozen companies, but we hope within the next few years to have all mutual companies in the state in our association."

The by-laws governing the State Association are as follows:

BY-LAWS
of the
TENNESSEE ASSOCIATION OF MUTUAL INSURANCE COMPANIES.
Adopted Nov. 15, 1921.

1. This organization shall be known as the Tennessee Association of Mutual Insurance Companies.

2. The object of this association shall be the promotion and welfare of Mutual insurance in the State of Tennessee.

3. Any Mutual insurance company organized under the laws of Tennessee may become a member of this association by a majority vote of the executive committee.

4. The officers of the association shall consist of a President, one or more Vice Presidents and a Secretary-Treasurer, all to be elected at annual meetings by a majority of the members present and voting.

5. All officers shall perform the duties pertaining to their respective officers, and Secretary-Treasurer shall keep a complete record of the proceedings of each meeting in a well bound book.

6. The annual dues shall be $10.00 for companies of one million dollars or less in force, and $1.00 for each additional million dollars, or fraction thereof, as shown by last report to Insurance Department.

7. Moneys of the association shall be disbursed only upon checks signed by the Secretary-Treasurer. The Secretary-Treasurer shall make a full financial report at each annual meeting.

8. The executive committee shall consist of the President, the first and second Vice Presidents, Secretary-Treasurer and one other member to be elected at annual meetings. The executive committee shall constitute the legislative committee.

9. A majority membership of the association present at any regular or called meeting shall constitute a quorum.

10. Each company shall be entitled to one vote on all questions at any meeting; such vote shall be cast by an accredited delegate. No proxies will be allowed.

11. The annual or called meetings shall be held at such time and place as shall be selected by the executive committee.

12. The by-laws may be changed or amended at any annual meeting by a majority vote of the members present.

13. Roberts rules of order shall govern all parliamentary matters not covered by the by-laws of this association.

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES.

In a letter dated December 3, 1927, Mr. Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies, said:

"Regarding the National Association and its work will say that it was organized more than thirty-two years ago, but was little more than an annual meeting until 1913. At that time it was voted to maintain an open office the year around. Up to that time the support of the companies was irregular, ranging from thirty or forty to as much as seventy at one convention. At the present time the membership is 766. While these are not all farm mutuals, and while the work of the Association is not confined entirely to farm mutuals, yet seventy-five per cent of its membership are farm mutuals, and seventy-five per cent of its activities are devoted to their welfare.

"So far as the difficulties of this Association are concerned, the greatest difficulty has been to secure the support and cooperation necessary to do the things that ought to be done.

"The outstanding work of the Association is perhaps the work along the line of federal taxation. A few years ago the farm mutuals were advised that they were subject to fines and penalties because of failure to make certain reports. Others were advised that because they had received a little interest income from bank deposits or something of that kind, they were subject to a tax, and because of failure to make reports and pay taxes they were subject to heavy penalties. Naturally companies that had run along for thirty or forty years without ever dreaming of a federal tax believed they were exempt. As soon, however, as one of them was checked up and a demand made for a hundred dollar tax, or a five

thousand dollar tax, they at once rushed to the Association for assistance. What I am trying to say is this, that the company that is in trouble is willing to cooperate, at least until its troubles are over. The company that is not in trouble frequently fails to realize that there is trouble ahead and that its support and cooperation is necessary, if trouble is to be avoided.

"The second difficulty has been to get in touch with the companies. Many of them do not support their own state organizations. In a number of states there is no state organization. Some of the companies have never heard of a state organization. Some of them are organized under special charters and believe they are so different from anybody else that there are no common grounds for cooperation, all of which is erroneous. But all of this has made it hard to get in touch with the companies. Some of them hit hard by federal taxation, have, because of the work of this Association, been able to secure refunds. They fail to recognize, however, that such refund was made possible because of the work which this Association has done.

"I have served continuously as the secretary of this Association since September 18, 1913. I have served as secretary of the local Farmers' Mutual since August 28, 1906. The work with the local company and my work as director of our State Cyclone Company has been very helpful in understanding the problems of the farm mutuals as I have met them in the work of the National Association."

Complete exemption from Federal taxes has been secured for mutual companies by the National Association. The mutual fire insurance companies now enjoy complete exemption from all federal taxes. This has been a long and expensive struggle, lasting over several years. Present

results have been secured by the work of the National Association, and has been financed by the members of that association assisted by voluntary contributions from non-member companies.

Tennessee county mutuals have assisted this movement very little.

The old successful mutuals are members and give of their experience to the National Association. One might think that the good old mutual fire insurance companies that have operated successfully for over 100 years would be afraid to associate themselves with others in a national association lest the others might profit by the wonderful success of these older organizations. However, the spirit of mutual insurance is an unselfish spirit. It is a missionary spirit, and these good old companies have gladly associated themselves in the national organization, in order that their experience may be available and may be helpful to the cause of mutual insurance. If for no other reason than to be associated with these old successful companies, and to profit by their experience, it would seem that most every mutual company in Tennessee would be interested in joining the National Association and having a representative attend its meetings.

The Tennessee State Mutual strongly endorses the state and national associations. "We believe," says the Secretary of that company, "that the way in which our Federal tax problem was handled through the attorneys of the National Association and the fact that in September 1922 we received a check from the Federal government for $1662.77 for taxes paid by us during 1919 should conclusively prove that there are very material benefits to be gained from such membership.

"We also firmly believe that the legislation, rulings and constructions which made it possible to secure this return, as well as that which has exempted farmers' mutuals from Federal taxation, and of late from

the necessity of filing annual reports to the Federal government, is entirely due to the untiring efforts of the officers of the National Association; and that but for these watch dogs at Washington, farmers' mutual insurance companies would have long since been taxed out of existence.

"The truth of the axiom, 'In union there is strength' was never more evident than at this time, and we believe that our thinking farmers are realizing this; and we trust that they may fully realize that to secure all the benefits to be derived from cooperation they must affiliate with State and National organizations, and not let a comparatively few fight the battles which should be fought by all."

(From a letter from Mrs. Pauline Glick, Secretary-Treasurer of the Tennessee Farmers' Mutual Fire Insurance Company, Nashville, Tennessee, and published on page 10 of the Mutual Insurance Bulletin for May 1927.)

NUMBER TENNESSEE MUTUALS WHO ARE MEMBERS OF THE NATIONAL ASSOCIATION, AND NUMBER DELEGATES ATTENDING THE ANNUAL MEETINGS.

TABLE XXVII.

Year	Membership in National Association	Number delegates attending annual meetings.
1926	Two members	One delegate
1925	One member	No delegate
1924	" "	" "
1923	" "	" "
1922	" "	" "
1921	" "	" "
1920	(?)	(?)
1919	One member	No delegate
1918	" "	" "
1917	(?)	(?)
1916	No member	No delegate.

THE NATIONAL ASSOCIATION AT A GLANCE.

TABLE XXVIII.

Year Ending.	President	Secretary	Place of Meeting	Number Members.	Income.
1896	W. D. Forbes, Ia.	Joshua Strange, Ind.	Des. Moines, Ia.	-	-
1897	W. D. Forbes, Ia.	-	Chicago, Ill.	-	-
1898	W. D. Forbes, Ia.	-	Chicago, Ill.	26	-
1899	W. D. Forbes, Ia.	W. B. Linch, Neb.	Chicago, Ill.	-	-
1900	W. D. Forbes, Ia.	W. B. Linch, Neb.	Indianapolis, Ind.	28	$172.50
1901	W. D. Forbes, Ia.	W. B. Linch, Neb.	Columbus, Ohio	30	92.00
1902	W. D. Forbes, Ia.	W. B. Linch, Neb.	St. Paul, Minn.	-	368.89
1903	W. D. Forbes, Ia.	W. B. Linch, Neb.	Chattanooga, Tenn.	55	789.36
1904	W. D. Forbes, Ia.	W. B. Linch, Neb.	Topeka, Kans.	62	510.26
1905	W. D. Forbes, Ia.	W. B. Linch, Neb.	Chicago, Ill.	34	672.15
1906	W. D. Forbes, Ia.	W. B. Linch, Neb.	Boston, Mass.	48	704.07
1907	W. D. Forbes, Ia.	W. B. Linch, Neb.	Denver, Colo.	29	514.47
1908	C. F. Danforth, Mass.	W. B. Linch, Neb.	Des Moines, Ia.	-	438.16
1909	W. B. Gasche, Kans.	H. L. Keefe, Neb.	Portland, Ore	36	603.50
1910	W. B. Gasche, Kans.	C. M. McMillan, Ill.	Peoria, Ill.	70	520.69
1911	W. E. Straub, Neb.	C. M. McMillan, Ill.	Philadelphia, Pa.	42	635.75
1912	W. E. Straub, Neb.	C. M. McMillan, Ill.	Buffalo, N. Y.	38	692.54
1913	W. E. Straub, Neb.	O. M. Thurber, Minn.	Indianapolis, Ind.	103	984.85
1914	C. F. Mingenback, Kans.	Harry P. Cooper, Ind.	Columbus, Ohio	204	2,615.54
1915	C. F. Mingenback, Kans.	Harry P. Cooper, Ind.	Minneapolis, Minn.	310	2,650.20
1916	L. R. Welch, Mass.	Harry P. Cooper, Ind.	Reading, Pa.	332	6,305.06
1917	L. R. Welch, Mass.	Harry P. Cooper, Ind.	Kansas City, Mo.	376	6,229.66
1918	L. R. Welch, Mass.	Harry P. Cooper, Ind.	Chicago, Ill.	425	7,647.27
1919	C. M. McMillan, Ill.	Harry P. Cooper, Ind.	Des Moines, Ia.	499	8,543.79
1920	W. A. Rutledge, Ia.	Harry P. Cooper, Ind.	Boston, Mass.	563	15,317.02
1921	Jastin Peters, Pa.	Harry P. Cooper, Ind.	St. Louis, Mo.	619	8,837.03
1922	George W. Miller, O.	Harry P. Cooper, Ind.	Atlantic City, N.J.	648	19,419.73
1923	C. A. L. Purmort, O.	Harry P. Cooper, Ind.	Detroit, Mich.	672	15,379.47
1924	Harry F. Gross, Ia.	Harry P. Cooper, Ind.	Chicago, Ill.	713	29,159.49
1925	C. A. McCotter, Ind.	Harry P. Cooper, Ind.	Seattle, Wash.	722	14,796.10
1926	O. E. Hurst, Ky.	Harry P. Cooper, Ind.	Louisville, Ky.	741	15,941.64
1927		Harry P. Cooper, Ind.	Washington, D. C.	760	18,819.32

An increasing salary has been received by the Secretary of the National Association as follows:

1928	-----	$6000.00
1927	-----	6000.00
1926	-----	6000.00
1925	-----	5000.00
1924	-----	4500.00
1923	-----	4000.00
1922	-----	3600.00
1921	-----	3300.00
1920	-----	(?)
1919	-----	2095.00
1918	-----	1800.00
1917	-----	(?)
1916	-----	1275.00

The above figures indicate that the National Association has been becoming more prosperous during the past twelve years. In addition to the above salary Mr. Cooper receives traveling expenses, office rent is paid by the Association and clerical help furnished. During the past few months Mr. Cooper has moved his headquarters from Crawfordsville, Indiana, to 938 Illinois Building, Indianapolis, Indiana.

The salary received by the National Secretary seems rather large when one considers the small salaries received by the Secretaries of County Mutuals, but the greater portion of Mr. Cooper's salary is paid by the large mutuals, many of which have extensive assets and operate over considerable areas of territory.

The requirements for membership, cost of membership, and benefits

from membership in the National Association of Mutual Insurance Companies are summarized below:

(1) Requirements for membership in the National Association of Mutual Fire Insurance Companies are simple:

(a) The company must be a real mutual.

(b) It must have been in successful operation not less than five years in order to become a voting member, or else be organized and operated by successful mutual insurance people.

(c) In applying for membership it is necessary that the company furnish to the Directors of the National Association a copy of the articles of association, by-laws, copy of the application and of the policy, the preceding annual statement; and such other information as may be helpful in giving the Board of Directors of the National Association a clear conception of the work and standing of the company.

(2) The cost of membership depends upon the amount of insurance in force by the farm fire and tornado companies, and upon the income in other classes of mutuals. Farmers' fire and windstorm companies pay a flat fee of $5.00 with an additional $1.50 for each full million of insurance in force. Other companies pay a flat fee of $5.00 with an additional 75¢ for each full thousand dollars of income. The maximum

dues for any company is $150.00.

Thus it would cost the Knox County company, which has about $5,750,000 insurance in force, the sum of $12.50 per year to belong to the National Association while the cost to each of the other county mutuals in the state would be less than this, since the Knox County company is the largest county company in the state. The cost to the State Mutual is $21.50 per year.

(3) The benefits of membership in the National Association may be briefly stated as follows:

(a) Such an association has proven to be extremely useful to the mutual companies in securing complete tax exemption from all federal taxes for these mutual companies. Such legislation would probably not have been secured otherwise, and without the separate companies joining, the National Association there would have been no organization to help carry the matter through Congress and through the modification of rulings by the Internal Revenue Bureau.

(b) State associations have been organized and sponsored by the National Association, and these have proven very helpful to the companies in that state.

(c) Slowly but surely better business methods, records and forms, and better cooperative methods have been developed through meetings held in the various states and discussions and demonstrations at the

annual meetings of both national and the state associations.

(d) Representatives have been sent to attend and take part in the annual meetings of the State Insurance Commissioners' Convention, and the insurance commissioners have been invited to take part in the annual meetings of the National Associations. This has had two beneficial results:

1. To inform the Commissioners of the splendid work being done by the mutuals.
2. To keep the mutual insurance people informed as to what legislative changes are being contemplated, and thus enabling them to take proper action before it has become too late.

(e) The National Association publishes a Monthly Bulletin, its annual proceedings, and other publications that are very useful to mutual insurance officials.

(f) It enables each company to keep abreast of the times and thus be able to render the very best possible service to its members.

(g) Officials of the National Association upon request of members in a given state, will go into that state and render them all possible aid and

cooperation in working for or against proposed legislation affecting mutual insurance companies in that state.

(Information from letter by Harry P. Cooper, dated Jan. 13, 1928).

SOME EDUCATIONAL WORK WHICH TENNESSEE MUTUALS SHOULD DO.

In a letter dated March 27, 1928, Mr. Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies has the following suggestions in regard to some of educational work which the farmers' mutuals of Tennessee need to do among themselves:

"First of all the officers and directors of the farm mutuals of Tennessee should become acquainted with each other. Like every other state in the Union, Tennessee needs a closer cooperation, mutual cooperation, if you please, between the companies of the state. There is no place for competition between mutuals. There is no chance for successful mutual cooperation unless the officers and directors of the various companies are sufficiently acquainted with each other to establish confidence which is the basis of mutual cooperation.

"In the second place, if the mutuals of Tennessee are going to be enthusiastic and aggressive in their cooperation with each other and in their effort to secure additional business, then they must be familiar with the history of mutual insurance. They must know of the fundamentals underlying that business. They should know of its progress in other states.

"In the third place, there ought to be a degree of uniformity as to business methods, as to methods of underwriting and so forth throughout the state. If they are to mutually cooperate one can hardly understand

how this can be successfully done unless there is a bit of standardization and uniformity between the companies.

"And finally, I think they should understand what can be accomplished through their own cooperation in their own state in a business way, in a legislative way and along any other line which might be helpful to the companies and to their business. They should know of the work of the State Associations in other states. They should also know of the reason for cooperation in a national organization."

Some other phases of educational work which should be done by mutuals are as follows:

(1) Teach farmers the correct and approved principles of construction in order to prevent fires.

(2) Teach farmers to avoid putting in any sort of dangerous equipment without adequately protecting against fire.

(3) Teach farmers how to properly rod their buildings against lightning.

(4) Teach farmers the advantages, and the method of installing, chamical fire fighting apparatus, water buckets, etc. in order that he may adequately fight the fire if it should occur.

(5) Encourage the formation of local fire fighting or "bucket brigades" in each community.

(6) Where practical encourage groups of farmers to either:

(a) Own a chemical engine jointly, this to be centrally stored.

(b) Or to cooperate with a small town in the ownership of a chemical engine.

(c) Or arrange to hire an engine from a nearby city to make runs to farms in case of need, at a stipulated sum per run per mile.

(7) Disseminate information and publicity among farmers as to the prevalence of fires, the losses that occur, and thus arouse public sentiment to action.

(8) Help to stamp out arson by arousing public sentiment to such an extent that when it occurs every person will endeavor to:

(a) See that the guilty party is arrested.

(b) That he is severely punished.

(9) Show farmers that from 75% to 90% of all fires that occur are preventable.

(10) Show farmers the enormous fire loss to society annually is not less than $560,000,000 and that this amounts to over 5 1/2 billion dollars in ten years, or more than the entire wealth of the state of Tennessee, absolutely wasted and lost to society.

Educational work in methods reducing fire losses is very badly needed. While Tennessee mutual insurance companies have much to their credit, indications are that the possibilities ahead of them far exceed what already has been accomplished. We refer particularly to the matter of reducing the cost of insurance through a stoppage of fire losses at their source. Every $100 risk saved from destriction not only saves the company $100 but saves the property owner $30 to $40 on that part of the property not covered by the insurance. This is saving through efforts at loss prevention such as could be effected by spreading information concerning the safe construction and upkeep of the property of the members. Reasonable efforts should be made to have water supplies, buckets,

and ladders conveniently located and available at all times by all the members. The possession and use of chemical extinguishers should be stressed. The extreme danger and losses due to defective flues, careless disposition of ashes, carelessness in the use of kerosene, gasoline and other inflammable substances should be forcibly brought to the attention of each and every member with urgings to remedy any such hazardous practices.

Careful periodic inspection of risks with certain specific recommendations by officers of the company would, no doubt, prevent a considerable percentage of the losses. Some commercial companies have reduced their losses on county risks materially by means of a system of inspection such as suggested above. Warnings of the great needless fire waste would command attention if based on concrete and near-at-hand examples taken from studies of the causes of the companies' own losses and these facts could be placed before every member of the company at a very low cost by simply having them printed and mailed along with any other notices that are sent from time to time.

Intelligent advertising would help farmers' mutuals. Some day perhaps farmers' mutual insurance companies will find that it pays them to advertise more than they have been doing. Advertising does for business what sunlight does for corn fields. The sunlight warms the ground, develops the germs and creates the conditions under which the seed may absorb the nourishment that surrounds it on every side. In the same way proper advertising will affect the business and prospective business of a mutual company if properly used.

If the hope of cooperation lies in educating the youth what should

mutuals do toward it? Students of cooperation in the field of agricultural marketing are convinced that the greatest opportunity for effective work for the future is to educate the youth, and not in work with adults -- although they admit of course that considerable can be done with adults.

The question immediately presents itself as to whether or not this same thing is true of cooperative agricultural insurance. And if it is true, what can and should be done? And what immediate steps should be taken in that direction? What is the part that the Tennessee mutuals should play and what action should the State and National Associations take? What is already being done?

Tennessee tax assessors should record loss from fire each year. The tax assessor of Siskiyon County, California, in 1926, listed the losses in assessments due to fires in his county. He devoted considerable space in his report to these fire losses.

The editor of a local county paper carried these figures, and had an editorial pointing out the economic loss involved and the amount of time and money required to replace the property.

Every assessor and every rural editor in Tennessee might well emulate the example of those men in California. If they would do so it would have two beneficial results:

(1) It would give us accurate data as to our fire loss in Tennessee as a whole, and also

(a) In different counties and areas of the state.

(b) In different classes of property.

(2) It would educate the people to the enormous loss from fire, and to the fact that

(a) When such property burns it is lost to the assessment roll.

(b) Certain types of property are much more subject to fire than others and hence should be avoided or carefully safeguarded.

County agents can help farmers' mutuals in many ways, as for example:

(1) By improving the efficiency of the companies already in existence, helping them to grow, and also preventing failures among them.

(2) Organize new companies in areas not now adequately served by a farmers' mutual company.

Most county mutuals are operated by farmers themselves. These men do it honestly, conscienciously, and economically, but very often not efficiently. These men have had no training and no experience in that type of work and hence often fail to realize on the possibilities of good which exist.

One of the great difficulties (or the greatest) in these companies is the bad management. Where the management is good, or even fair, the association is almost sure to succeed. It is said (Hancock) that the reason both Sumner and Wilson failed was because of this factor of poor management.

(3) Do educational work in methods of fire prevention.

The Carroll County Mutual, which is a relatively small company with only $1,645,000 insurance in force claims to have saved the farmers of Carroll County the sum of $300,000 in the 20 years since it was organized in 1907. If this estimate be accurate, what more profitable work could a county agent do for his farmers than to organize such a county. This saving has averaged $15,000 per year for Carroll, or four times the annual cost of a county agent.

Then other features of such an organization are the following:

(1) It is permanent, if it be property organized and under proper management.

(2) It does not require much of the agent's time after it is properly started.

Surely this should be one of his early projects.

Mutuals should provide fellowship to study their problems, at the University of Tennessee. The farmers' mutuals of Tennessee in cooperation with the National Association and the College of Agriculture should provide a Fellowship for one or two years, which would be devoted to a study of farmers' mutual insurance in all its phases, including fire loss waste.

There are several reasons for this:

(1) The great need for more information.

(2) Companies to be benefitted should bear part of burden.

(3) Companies will use results more if they help secure them.

(4) Furnish information to College for teaching and extension.

(5) Economical method securing such research.

(6) Train a man in that field.

SOME SUGGESTIONS BY MUTUAL SECRETARIES.

A list of suggestions regarding changes in the practices of mutual companies, or in the law under which these companies operate as given by the secretaries themselves follows:

Blount - Wish we had started reserve fund sooner. Believes an assessment, omitted in 1920, should have been made and passed to reserve.

Campbell - The county should have a surplus to meet losses.

Carter - Abolish the "Fire Marshal Tax."

Hamblen - Need law so assessments could be collected without going through chancery court.

Hamilton - Need a classification of risks.

McMinn - Need to create a reserve fund.

Rhea - Favors collection of premium in advance.

Sevier - Wants a five-year term policy instead of perpetual.

Shelby - Thinks should build up a reserve.

Sullivan - Wants repeal of "Fire Marshal Tax" law.

Sumner - Classification of risks; advance payment of premiums at bureau rates with refund of surplus funds not needed for losses and inspection by a salaried agent.

As will be noted from the above comments by the various mutual secretaries, the most common statement made relative to a suggested change was to the effect that there should be a reserve fund built up. Carter and Sullivan secretaries both advocated a repeal of the state Fire Marshal Tax of one-half of one per cent and added that they did not believe the Fire Marshal's services had ever been of any benefit to their companies. A more complete consideration of the Fire Marshal Tax can be found elsewhere in this report where the advantages and disadvantages of such a tax are discussed at length.

The wisdom of an adequate reserve fund being created as well as a suggested classification of risks will be found under headings dealing with these respective topics in another section of this report.

PART II.

ORGANIZATION AND MANAGEMENT OF COMPANIES.

PROCEDURE IN ORGANIZING A COUNTY FARMERS' MUTUAL INSURANCE COMPANY IN TENNESSEE.

The formation of a mutual insurance company must conform to the insurance laws of Tennessee, the mutual companies being subject to the same supervision by the State Insurance Department as that exercised over the stock company insurance companies. In forming a farmers' mutual company, a group of farmers or property owners residing in the same Civil District or in the same county, who own collectively not less than $50,000 worth of insurable property, form themselves into a company or corporation for mutual insurance against fire, lightning, and tornado, or such of these as they care to include in their policy. When agreements have been entered into for insurance by 25 such property owners or more, the company takes out a certificate of incorporation and, after approval by the state officials, is ready to transact a mutual insurance business. At this stage no one or more risks subject to one fire shall exceed one thousand dollars, this amount being privileged to increase gradually as the company grows in size until it reaches a maximum of $10,000 per risk for the larger companies.

The necessary steps in organizing a county mutual fire insurance company in Tennessee may be briefly summarized as follows:

In case a group of farmers wish to avail themselves of the mutual type of insurance protection, special attention should be given to the following points:

1. At least 25 property owners shall apply for not less than $50,000 of insurance, of which amount no one or more risks subject to one fire shall exceed $1,000.

2. Certified copy of the company's charter must be filed with the State Commissioner of Insurance and a "Certificate of Authority" secured before commencing business.

3. The policy shall make it plain that each policyholder, through a lien on his property, is liable for his pro rata part of all assessments necessary to pay in full all losses and operating expenses.

4. No insurance must be written outside the home county until the company has at least $300,000 of insurance in force.

5. The management of the company must be vested in a board of directors elected by the membership.

6. Each policyholder shall be entitled to only one vote and no voting by proxy shall be allowed.

7. The maximum amount of insurance carried on any one risk shall not exceed the amount set forth in the state schedule.

8. Annual dividends to policyholders shall not exceed 50% of the net cash surplus on hand at the beginning of that year.

9. The records of the company shall be subject to examination by state officials, at the companies' expense, as often as they deem it necessary.

10. A report on state prescribed forms shall be made annually to the Commissioner of Insurance accompanied by a fee of $10.00.

IN ORGANIZING A MUTUAL NO PROMISES SHOULD BE MADE THAT EXPERIENCE WILL NOT BEAR OUT.

One of the difficulties of farmers' cooperative or mutual concerns in the past has been that in organizing them promises and statements have been made that experience does not bear out. Then the member gets dissatisfied and withdraws. In the case of farmers' mutuals the farmers are led to

to believe that rates will always and invariably be low. But this cannot in the nature of things be assured, and in fact some of our county mutuals have almost been wrecked by a windstorm or other large losses occurring during their early years, when the insurance in force is small and before the loyalty of the membership has been fully established. In fact this was a large contributing factor in the actual failure of the Cumberland County Company.

Members who join expecting some large losses from time to time will not desert the ship when they actually arrive.

Fortunately very few farmer mutual insurance companies have ever used "high-pressure" methods to promote its cause or secure members. Extensive membership campaigns so often employed in organizing other types of cooperative organizations have not been common in forming farmer insurance mutuals. The great difficulty with such "drives", as they are popularly known, is that too often the solicitors have a tendency to become over-enthusiastic regarding the possibilities of the venture to the extent that they promise too much in the way of results.

While extravagant claims may be a temporary help they sometimes create an effect which is entirely opposite from the one intended as they may create doubts regarding the truthfulness of other claims which are not exaggerated.

Farmers who have been led to expect the impossible will not prove to be loyal supporters when they find that they have been misled.

TERRITORY COVERED BY TENNESSEE MUTUALS.

A study of the extent of territory over which individual farmers' mutual fire insurance companies operate in Tennessee reveals that practically 85 per cent of these organizations confine their operations to the home county only. The exact extent of their territory follows:

Table XXIX.

County Assn.	Extent of Territory	County Assn.	Extent of Territory	County Assn.	Extent of Territory
Anderson	Home county only	Hawkins	Home county only	Union	Home county only
Blount	"	McMinn	"	Warren	"
Campbell	"	Meigs	"	Washington	"
Claiborne	"	Moore	"	White	"
Cocke	"	Monroe	"	Carroll	Home and 7 adjoining cos.
Franklin	"	Putnam	"	Carter	Home and 4 adjoining cos.
Giles	"	Rhea	"	Jefferson	Home and 5 adjoining cos.
Grainger	"	Roane	"	Knox	Home and 8 adjoining cos.
Greene	"	Sevier	"	Loudon	Home and 7 adjoining cos.
Hamblen	"	Shelby	"	Bradley	Home and 4 adjoining cos.
Hamilton	"	Sullivan	"		

It will be noted that six of the above counties write policies in their home and adjoining counties.

In connection with the extent of territory of mutual companies it is well to remember that Section 10, Chapter 159, of the Acts of 1921 of the Tennessee Legislature prescribed regulations governing the extension of a mutual company's business into counties other than that where its home office is located. A more complete discussion of the most desirable unit of territory within which a mutual company should try to operate may be found in the section of this study devoted to "Causes of Failure of Farmers' Mutual Fire Insurance Companies in Tennessee."

PER CENT OF CASH VALUE INSURED.

Table No. XXX.

Location of Company	% of Cash Value Granted on Risks.	Location of Company	% of Cash Value Granted on Risks.	Location of Company	% of Cash Value Granted on Risks.
Hawkins	3/4	Hamblen	2/3	Rhea	2/3
Jefferson	3/4	Hamilton	"	Roane	"
White	3/4	Knox	"	Sevier	"
Carter	2/3 - 3/4	Loudon	"	Shelby	"
Blount	2/3	McMinn	"	Sullivan	"
Bradley	"	Meigs	"	Sumner	"
Campbell	"	Monroe	"	Warren	"
Franklin	"	Moore	"	Washington	"
Greene	"	Putnam	"	Cocke	3/5
				Carroll	1/2 - 2/3

The highest percentage of estimated value for which insurance is granted by any Tennessee Mutual was reported as 75 per cent. This was in White County. One county insures only 50% on its poorer risks and takes up to 66 2/3 per cent of the cash value on its best risks. This is done by Carroll County.

Twenty-two companies, as shown in the above table, reported accepting risks on a two-thirds basis or 66 2/3 per cent of their cash value.

The average percentage fixed as a maximum for insurance granted was approximately 67 2/3 per cent. Only two companies reported the maximum percentage of value permitted to be insured as less than 66 2/3 per cent.

Cocke County Mutual insures at 60 per cent of the cash value and Carroll, as already mentioned, insures at from 50 to 66 2/3 of the cash value.

It can thus be seen that 2/3 of the actual cash value of the properties insured is the usual amount assumed by the companies in the face of their policy.

LENGTH OF TERM OF MUTUAL POLICIES.

Table No. XXXI

County Assn.	Term of Policy	County Assn.	Term of Policy	County Assn.	Term of Policy	County Assn.	Term of Policy
Campbell	Perpetual.	Knox	Perpetual	Carroll	5 yr.	Putnam	5 yr.
Carter	"	Roane	"	Hamilton	5 yr.	Rhea	5 yr.
Cocke	"	Sevier	"	Loudon	5 yr.	Shelby	5 yr.
Greene	"	Sullivan	"	McMinn	5.yr.	Sumner	5 yr.
Hamblen	"	Washington	"	Meigs	5 yr.	Warren	5 yr.
Hawkins	"	Blount	5 yr.	Monroe	5 yr.	White	5 yr. or less
Jefferson	"	Bradley	5 yr.	Moore	5 yr.	Franklin	3 yr.

From the above table it will be noted that 14 or 50% of the companies reporting on the length of term of their contracts have policies that run for a period of five years. Twelve associations have perpetual policies that remain in force indefinitely, so long as the assessments are met by the insured or until the company finds reason to cancel the insurance. One company, Franklin, makes use of a 3-year term policy and yet one other, White, writes risks for a term of five years or less.

It would seem only economy for a larger number of the companies to write perpetual policies, provided adequate reinspection of risks be done regularly. Why should the insured pay another charge to continue in an organization of which he is already a member? Systematic 3- or 5-year periodic inspection should be made, however, in order to make proper adjustment in the original valuation of the property insured. Where improvements of material value have been made to the property or the fire hazard reduced, an additional amount of insurance could well be allowed. On the other hand, if the property has deteriorated in value or either the fire or moral hazard has increased, then the face of the policy should be decreased to correspond.

Of the 28 county farmers' mutuals in Tennessee from which we have reports, 12 or 66 2/3% write their policies on a perpetual basis, while the others write for a period of five years or less. In the United States as a whole about 1/5 of the companies or about 20% write perpetual policies. Thus it is seen the percentage writing such policies in Tennessee is over three times that of the United States as a whole.

It would seem that there are some real advantages in writing perpetual policies, and that the Tennessee policies are more progressive than the average in this respect. These may be briefly summarized as follows:

(1) There is no expense to the insured for renewal fees.

(2) The policies remain in force and there is no necessity for the company to have a crew of agents looking after the renewals, and a clerical force to write them up. The Knox County company had seven agents in the field at first but now they need only one, for all he has to write is new business.

(3) The bookkeeping system is less complicated where the policy continues than where a termination and new policy every five years must be provided for.

Of course provision must be made to reinspect risks and readjust the amount of insurance from time to time. But this can be done at the convenience of the company and its agent when he is in that vicinity, but should not be at longer intervals than every 5 years.

It will be noted that the 12 county mutuals in Tennessee which write perpetual policies are all located in the upper two-thirds of East Tennessee. All of the county mutuals located in lower East Tennessee, all of those located in Middle Tennessee, and all of those located in West Tennessee write policies of five years or less in length.

At the same time there are a few counties located in the Central part of East Tennessee, in close contact with some of the perpetual counties, that write term policies. These are mostly on the margin between the perpetual policy counties of upper East Tennessee and the term policy counties of lower East Tennessee.

Just why these differences exist is a question on which we have no exact data. It seems probable, however, that these ideas were implanted in that particular region by an early company in that region. For instance the three first companies organized in upper East Tennessee, the Sullivan, Washington, and Greene County mutuals were all perpetuals, whereas the first company south of Knoxville was the Loudon County Mutual which wrote on a term basis.

AMOUNT OF POLICY FEE AND INITIAL PREMIUM CHARGED.

Table No. XXXII

Location of Company	Amt. of Policy Fee.	Initial Prem. per $100 Ins.		Location of Company	Amt. of Policy Fee.	Initial Prem. per $100 Ins.	
		New Bus.	Old Bus.			New Bus.	Old Bus.
Blount County	0	50¢	25¢	McMinn County	0	25¢	
Bradley "	$1.50	40		Meigs "	0	50	25¢
Campbell "	0	50		Monroe "	0	50	
Carroll "	0	50		Moore "	$5.00	0	
Carter "	0	50		Putnam "	1.40	0	
Cocke "	0	50		Rhea "	0	50	
Franklin "	0	*		Roane "	2.00	0	
Greene "	0	50		Sevier "	0	50	
Hamblen "	0	50		Shelby "	0	60	
Hamilton "	0	50		Sullivan "	0	50	
Hawkins "	0	50		Sumner "	0	50	
Jefferson "	0	50		Warren "	1.50	10	
Knox "	0	50		Washington "	0	50	
Loudon "	1.00	25		White "	0	20	

Average policy fee of those charging same - $2.07

Average initial premium per $100 insurance on new business - 39¢

* $2.00 on the first $500.00 and 25¢ for each additional $100 of insurance.

Six farmers' mutual fire insurance companies operating in Tennessee in 1926 reported collecting, in advance, a membership or policy fee. The amount varied from $1.00 in Loudon County to $5.00.in Moore County. The average of such charge was $2.07.

In addition to the above membership or policy fee, all the counties except Moore, Putnam, and Roane have an advance charge based on the amount of insurance written. This initial charge varies from 10¢ per $100 in Warren County to 68¢ per $100 in Shelby County, the average of such charge being 39¢ per $100 of insurance for the entire term of the policy.

Eighteen out of twenty-two of the companies not having a policy fee charge, reported their initial charge as 50¢ on the $100 of insurance. Only three companies not having a special policy fee charge charged other than this 50¢ per $100 as an advance payment of any kind. These were McMinn, Shelby, and White.

Blount and Meigs County Mutuals renew their policies for 25¢ on the $100 of insurance. This is one-half the charge on new business. As twelve of the companies write perpetual policies they would, therefore, have no renewal charges.

From the foregoing table it will be noted that the Moore County company collects a $5.00 policy fee from the insured at the time the policy is taken out but does not levy any other initial charge. One-half of this amount, or $2.50, goes to the agent as commission and the remainder into the general treasury.

The purpose of having some money paid by the insured at the time of filing his application is in order to have some ready cash to defray the expenses incident to inspecting the risk, issuing the policy, pay agents commission, etc.

HAZARDS INSURED AGAINST BY TENNESSEE MUTUAL FIRE INSURANCE COMPANIES (1926)

Table No. XXXIII.

Location of Company.	Kind of Hazard						
	Fire	Lightning.	Windstorm	Feeds in barn	Feeds in stack	Livestock	Hail.
*							
Blount County	X	X	X	X	-	X	
Bradley "	X	X	X	X	X	X	
Campbell "	X	X	X	X	X	X	
Carroll "	X	X	-	-	-	X	
Carter "	X	X	-	X	X	X	
Cocke "	X	X	X	-	-	X	
Franklin "	X	X	-	X	-	-	
Greene "	X	X	X	-	-	X	
Hamblen "	X	X	X	X	X	X	
Hamilton "	X	-	X	X	X	X	
Hawkins "	X	X	X	X	-	X	X
Jefferson "	X	X	X	X	X	X	
Knox "	X	X	X	X	-	X	
Loudon "	X	X	-	X	-	X	
McMinn "	X	X	-	X	X	X	
Meigs "	X	X	X	X	X	X	
Monroe "	X	X	X	X	-	X	
Moore "	X	X	-	X	X	X	
Putnam "	X	X	-	X	X	X	

(continued on next page)

* No data from Anderson, Claiborne, Giles, Grainger and Union Counties.

HAZARDS INSURED AGAINST BY TENNESSEE MUTUAL FIRE INSURANCE COMPANIES (1926) - continued

Table No. XXXIII (continued)

Location of Company.	Kind of Hazard						
	Fire	Lightning.	Windstorm	Feeds		Livestock	Hail
				in barn	in stack		
Rhea County	X	X	X	X	X	X	
Roane "	X	X	-	X	-	X	
Sevier "	X	X	X	X	-	X	
Shelby "	X	X	-	X	-	X	
Sullivan "	X	X	X	X	X	X	
Sumner "	X	X	-	X	X	X	
Warren "	X	X	-	X	X	X	
Washington "	X	X	X	X	X	X	
White "	X	X	-	X	X	X	
Totals	28	27	16	25	16	27	1

From the foregoing table, it will be noted that all the 28 county mutuals reporting, except one - Hamilton - carried lightning protection as well as protection against fire. A like number, or 27 of them, also carried protection against livestock, in addition. Twenty five companies accepted risks on feed in barns and sixteen of these same organizations took risks on feeds stored in stacks on the premises.

Hail insurance apparently was considered of too little importance by all the companies except the Hawkins County Mutual, which was the only company including this type of risk in its policy.

Windstorm coverage was included in the risks assumed by sixteen of the twenty-eight organizations. This means that 57 per cent of the Tennessee mutuals carry windstorm or, so called, combined protection. Since only about 15 per cent of the farmers' mutual companies of the United States carry combined protection, it can be readily seen that Tennessee mutuals offer considerably more coverage than does the average organization doing a similar type of business elsewhere. One reason for the above high ratio of combined protection in Tennessee mutuals is possibly due to the fact that windstorms are seldom highly destructive in the Southern states. Localities with a broken surface area, such as makes up the major portion of the territory covered by Tennessee Mutuals, have only a part of the buildings and other property openly exposed to destructive winds, while in a relatively level area every building will be so exposed.

WINDSTORM PROTECTION QUESTIONABLE.

The plan of carrying windstorm insurance by a relatively local company has proved disastrous in a number of instances. Losses from a single severe storm in a community sometimes exceeds all available resources of a small company. Lawrence County, Tennessee, had a severe windstorm in 1913. So great was the loss incurred that its county mutual organization failed and was dissolved. It has never, as yet, been reorganized. Giles County also suffered greatly from windstorm the same year and lost heavily in membership immediately following a $2.25 assessment that it had to levy in order to pay these windstorm and other losses. All the other losses for the same year could have been paid with an assessment of only 21¢, according to the secretary's report. Its average assessment for seven years immediately succeeding the year of heavy loss and $2.25 assessment has been only 33¢ on the $100. This illustrates just how hazardous it is for a local company operating over a limited territory to carry windstorm protection in addition to fire and lightning coverage.

MAXIMUM AMOUNT WRITTEN ON A SINGLE RISK.

Table No. XXXIV.

Location of Company	Maximum Single Risk Accepted.	Max. Single Risk Allowed by State Law. **	Location of Company	Maximum Single Risk Accepted.	Max. Single Risk Allowed by State Law. **
Blount	$5,500	$ 6,000	Meigs	$ 1,000	$ 2,000
Bradley	6,000	6,000	Monroe	No limit.	5,000
Carroll	2,000	6,000	Moore	1,000	1,000
Cooke	3,000	4,000	Putnam	2,500	5,000
Franklin	1,500	2,000	Rhea	No data.	No data.
Greene	5,000	10,000	Roane	4,000	4,000
Hamblen	5,000	5,000	Sevier	5,000	No data.
Hamilton	4,000	4,000	Shelby	2,000	2,000
Hawkins	3,000	5,000	Sullivan	10,000	9,000
Jefferson	4,000	6,000	Sumner	5,000	10,000
Knox	8,000	10,000	Warren	5,000	5,000
Loudon	2,500	6,000	Washington	5,000	8,000
McMinn	2,000	5,000	White	2,000	3,000

** Based on 1926 insurance in force.

A study of Table XXXIV reveals the fact that eight of the Tennessee Mutuals write the maximum amount allowed by the state law to be written on one risk by companies of their respective sizes. Companies in starting must necessarily take more near the maximum allowed than older organizations in order to get the best risks on their books. As the company grows larger, the question of how large a single risk should be becomes of less importance because a large loss then is not reflected in a high assessment to the same extent as when the company was small.

SALARIES OF OFFICIALS
(other than agents)

Table No. XXXV.

County Company.	Secretary	Presi-dent	Vice Presi-dent	Director	Other Offices.
Blount	$1,000 (a)	$200 (a)	$100 (a)	$3.00 (a) 3.00 (m)	
Bradley	1.50 (p)	0	0	3.00 (d)	
Campbell	400 (a)	0	0	0	
Carroll	0	0	0	0	
Carter	500 (a)	50 (a)	0	*2.00 (d)	
Cocke	50 (a)	25 (a)	0	2.00 (m)	Directors $1½ for adjusting loss.
Franklin	75 (a)	10 (a)	0	0	Bd. of approval $100
Greene	1200 (a)	300 (a)	0	3.00 (d)	
Hamblen	500 (a)	150 (a)	0	0	
Hamilton	300 (a)	100 (a)	0	0	
Hawkins	50 (per) 2½ (as)	0	0	0	Adjuster $100 per year
Jefferson	500 (a)	0	0	0	
Knox	1500 (a)	1500 (a)	0	0	
Loudon	350 (a) 25 (as)	100 (a)	0	*1.50 (p)	
McMinn	400 (a)	100 (a)	0	0	
Meigs	125 (a)	0	0	0	
Monroe	250 (a)	100 (a)	2.00 (d)	0	
Moore	0	0	0	0	
Putnam	30¢ (p)	10¢ (p)	0	0	
Rhea	200 (a)	**140	?	?	?
Roane	150 (a)	0	0	0	
Sevier	250 (a)	0	0	2.00 (d)	
Shelby	75 (a)	0	0	0	
Sullivan	840 (a)	100 (a)	0	0	Treasurer $100 (a)
Sumner	3000 (a)	0	0	0	
Warren	350 (a)	150 (a)	0	0	
Washington	600 (a)	75 (a)	0	2.00 (d)	
White	50¢ (p) 10¢ (ass)	0	0	0	

(a) = Annual salary
(d) = Per day of service
(m) = Per meeting attended
(p) = Per policy written
(per) = per cent of initial charge
(as) = per cent of each assessment
(ass) = per policy per assessment
* Mileage in addition.
** Particular official not given.

In view of the variation in the size of the companies, as well as the different plans in vogue with regard to the distribution of duties among the officers, any figures in the way of averages would be of but little value. A few data bearing on the plans of compensation may, however, be worth while.

The president was paid a fixed annual salary by all but one of the companies reporting any salary. Putnam County pays its president 10¢ per policy in force during the year.

In case of the secretary, which is generally the highest salaried position, 21 companies reported paying a fixed annual salary; 2 reported paying a fixed allowance per policy; 1, Hawkins County, reported allowing this official one-half of the initial change of 50¢ per $100 of insurance written; Loudon County reported a combination payment of an annual salary plus 25¢ for each policy assessment made and White County pays its secretary 50¢ per policy written with an additional compensation of 10¢ for every assessment on each policy in force.

Only two counties reported having a paid vice-president. Blount County pays this official $100 annually and Monroe County allows its vice-president $2 per day for the actual time spent working for the company. Five associations paid an average of $2.50 on a per diem basis; Loudon County directors act as its exclusive agents and are paid $1.50 per policy plus 5¢ mileage (one-way); Cocke County directors get $2.00 for attending the annual meeting, with an additional $1.50 for each adjustment of loss they make in their respective districts, and Blount County compensates its directors with $3.00 annually, plus $3.00 for each and every business meeting attended.

Table XXXVI.

AGENTS' COMMISSION

County Organization	Agts. Com. per $100 of insurance written		Any other compensation paid agent or solicitor.
	New Bus.	Renewals.	
Blount	30 cts.	20 cts.	0
Bradley	No data.	No data.	No data
Campbell	25 cts.	*	0
Carroll	37½ "	37½ cts.	0
Carter	50 "	*	0
Cocke	50 "	*	0
Franklin	0	0	$1.50 per policy
Greene	40 "	*	0
Hamblen	40 "	*	0
Hamilton	40 "	40	0
Hawkins	25 "	*	0
Jefferson	25 "	*	0
Knox	37½ "	*	0
Loudon	0	0	$1.50 per policy
McMinn	No data	No data	No data
Meigs	30 cts.	15 cts.	0
Monroe	No data	No data	No data
Moore	0	0	$2.50 per policy.
Putnam	0	0	$1.00 per policy.
Rhea	30 cts.	30 cts.	0
Roane	0	*	$2.50 per policy
Sevier	37½ "	*	0
Shelby	40 "	0	0
Sullivan	25 "	*	0
Sumner	25 "	25 "	0
Warren	0	0	$2.00 per policy
Washington	40 "	*	0
White	0	0	$2.00 per policy

* Write perpetual policies, therefore, would have no renewal charge.

Eighteen out of 25 companies reported compensating their representatives for the solicitation of business strictly on a commission basis. The average commission allowed by these companies on new business was 34.8¢ per $100 of the insurance written in the policy. Since twelve, or 2/3, of these companies write policies having a five-year term of existance, the above charge would amount to a little less than 7¢ per $100 per year of the insurance. As 12 out of 25 companies write perpetual policies, their per-year compensation to agents cannot be computed.

Seven out of 25 companies reported compensating their officials or agents by means of a fixed fee per application taken and accepted. The maximum of such fee reported by any company was $2.50 paid by each Moore and Roane County companies, and the minimum was $1.00, which is paid in Putnam County. The average fixed fee was $1.85.

It would seem that the fixed fee plan of compensating solicitors of business would be a more desirable way than the commission method. Mr. V. N. Valgren, in charge of the Division of Agricultural Economics, in his book entitled "Farmers' Mutual Fire Insurance in the United States", page 45, brings out the fact that more than three-fourths of over 800 farmers' companies located throughout the United States pay their solicitors on the fixed fee plan. The fixed fee leaves the one who takes the application unbiased as to the valuation and the consequent amount of insurance written. While a thoroughly conscientious and unselfish person may refuse to let the matter of his own compensation influence his judgement, there is some danger of its not working out in practice to the company's advantage in every case. The fixed fee plan eliminates all temptation on the part of agents either to encourage or to permit over-insurance.

HOW SHALL AGENTS OF MUTUALS BE PAID.

There is an argument in favor of paying agents on a salary basis rather than by commission, as follows:

(1) Some agents are more interested in the compensation they receive than they are in protecting the best interests of the company, and their compensation depends upon the volume of business they do when they are paid on commission -- and the larger the loans of course the larger their volume of business.

(2) Local committees, of course, review these applications but they cannot be familiar with every piece of property in their territory and hence they are likely to accept the application.

On the other hand, the arguments against the salary basis are:

(1) The agent is often engaged in some other business and only devotes part time to the securing of applications for insurance. In fact there might not be work for him to do on a full time basis in the county companies, and this commission method puts it on a piecework basis, and pays each man for the results that he secures.

(2) By having these local agents on a part time basis the work can be handled at less cost than where a full time man is paid a salary and traveling expenses.

The companies covering a considerable territory are especially troubled in this matter and one of their greatest problems is to secure local representatives on a commission basis who will push the business and at the same time write only a conservative amount on each risk taken. The committee which passes on applications for a large company of this kind cannot know each property and hence they must in large measure depend upon their agents' recommendations.

Of course one way to check up on this is to have frequent reinspections

by a salaried examiner, and this should probably be done by the companies covering a wide territory. This, however, involves quite a large expense in proportion to the business done, for farm risks are:

(a) Long distances apart.

(b) Each risk is usually for a relatively small amount.

NO REMUNERATION SHOULD BE PAID EXCEPT FOR SPECIFIC WORK AUTHORIZED BY THE SECRETARY.

A few of the farmers' mutuals in Tennessee have a plan whereby the Vice-President and each director can charge the company on a per diem basis for services which he renders, or purports to render, the company. This plan may have some advantages, but it also has a dangerous possibility of running up unnecessary expense that must be watched. It sometimes happens a somewhat unscrupulous man will be elected to one of these positions and if such men are not watched they will pretend to use time that they do not need on their farm (such as rainy days) in the interest of the company and will make a charge per diem for doing so. A check on such activities frequently shows that they have done nothing of real value or that the same service could have been secured in a more economical manner.

It is highly desirable that activities of various members of a mutual, for which they are to receive remuneration, be authorized in each instance by the Secretary, before they are entered upon.

NUMBER OF DIRECTORS PER COMPANY AND AMOUNT OF INSURANCE PER DIRECTOR.

Reports were secured from 27 farmers' mutuals in Tennessee as to the number of directors elected per company, and also the amount of insurance in force per director. These data have been tabulated and are shown in Table XXXVII below:

NUMBER DIRECTORS PER COMPANY, AND AMOUNT OF INSURANCE PER DIRECTOR.

Table No. XXXVII.

Name of Company.	Number Directors March 1928	Amt. of Insurance in Force per Director Jan. 1, 1927.	Name of Company	Number Directors March 1928	Amt. of Insurance in Force per Director Jan. 1, 1927
Anderson (1925)	7	$ 93,669	Knox	15	$383,601
Blount	18	95,322	Loudon	9	171,791
Bradley	9	216,747	McMinn	12	93,682
Campbell	9	53,370	Meigs	12	27,087
Carroll	12	137,144	Monroe	14	90,813
Carter	19	117,499	Putnam	11	90,622
Claiborne	6	122,461	Rhea(1925)	10	37,745
Cocke	13	56,519	Roane(1925)	14	51,358
Franklin	9	37,982	Sevier(1924)	12	101,219
Moore	6	13,833	Shelby	9	38,062
Giles	no data	no data	Sullivan	14	241,693
Grainger	8	61,719	Union	10	87,332
Greene	15	241,068	Warren	9	104,817
Merchants	no data	no data	Washington	20	130,246
Hamblen	6	150,592	White	14	28,986
Hamilton	9	83,333	Weakley	no data	no data
Hawkins	14	105,214	Company Average	11.4	$112,058
Jefferson	9	208,278			
			Tennessee State Farmers' Mutual	15	751,754

The number of directors per company will be observed to range from twenty in the Washington County mutual to six in Moore County. The average for the county mutuals is 12. The state mutual has 15 directors.

The amount of insurance in force per director among the county mutuals varies from $383,601 in Knox County down to $15,833 in Moore County. The average for the county mutuals is $112,058. The state mutual has $751,754.

Reference to the table showing the ages of the different companies shows that the companies having the smallest amount of insurance in force per director are generally the young companies having as yet a comparatively small volume of business. In other words, when the company is organized several directors are elected but their number is not increased in the same ratio as the volume of business increases.

It is the practice of some mutuals to divide their county in the same way as the Civil Districts, and to have one director for each district. Sometimes each of these directors acts as an agent for the company in his district. This system is said by some students of the subject to have two possible defects:

(1) The directors determine the policy of company, including the amount of payment as commission on new business and renewals, and where they are also agents there is undoubtedly a temptation for them to favor too high commissions.

(2) It increases the number of directors, in some counties, to an unwieldy number.

It is thought by some that it would be better for the company to have simply an agent in each civil district, if it is desired to secure its business in that way, instead of making each of these a director.

Others hold to the idea that decentralization of management is desirable and prefer to make each director somewhat the district manager for the company, placing him in charge of practically all the activities of the company in his district -- such as the securing of new business, renewals, appraisals, adjustments, etc.

One man who is opposed to a large number of directors for a company of this kind has given the following as his reasons for favoring the smaller number:

(1) It is expensive to the company to pay so many directors for attendance on meetings.

(2) It is an economic waste, in that it wastes the time of more men than are needed to transact the business.

(3) It is hard to get them all together for meetings.

(4) Such a large group is cumbersome, and transacts business with difficulty.

(5) All of them cannot understand the details of the business, and hence will not be in position to act intelligently.

(6) Real good men are frequently not interested in serving on such a large body whereas they would be glad to serve if the number were restricted to a few high class directors.

In his book on "Farmers' Mutual Fire Insurance in the United States," page 35 Dr. V. N. Valgren reports on a study which he made of 1140 companies situated in various parts of the United States. He says: "The maximum number of directors of any one of the 1140 companies reporting on this point was 55 and the minimum was two. Only 91 companies reported more than 15 directors (or 7.99%), and only 66 companies, (or 5.79%) reported less than five. The average as well as the most common number of directors for the companies reporting was 9, there being 405 companies with this

number." In this connection it might be mentioned the companies studied by Dr. Valgren are much larger than most of our Tennessee companies in point of business done.

In a letter dated December 15, 1927, Mr. Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies wrote: "I am sending you a copy of the policy containing the by-laws used by most of the farm mutuals of Indiana. These Indiana farm mutuals are probably as near model as any in the country." The by-laws of these companies provide for nine directors for each company.

Of the 27 companies on which we have reports in Tennessee, 17 have more than 9 directors, 7 have 9 directors, and only 3 have less than 9. 9 is the most popular number in Tennessee also, no other number having as many as seven companies with the specified number of directors.

INFLUENCE OF AN EFFICIENT SECRETARY UPON THE SUCCESS OF A MUTUAL.

In connection with this study it has been found necessary to carry on some correspondence with the various Secretaries, and this has thrown considerable light, in an indirect way, on the influence of management on the progress of the company. As a general rule it has been found that these Secretaries who answered inquiries promptly, completely, and courteously had companies that were growing and prospering; while those companies that appear to be standing still or stagnating are often served by Secretaries who sadly neglect their correspondence. Perhaps it is safe to assume that they neglect the other duties of their office in about the same way, and the company suffers in consequence.

In reply to a request for a list of the Directors of his company,

in order that they could be invited to attend a meeting which was designed to be helpful to them and make them better Directors, one Secretary replied: "Too big a job to get up all Directors." This man has been Secretary of his county mutual for several years -- and it is one of the few mutuals in the state at this time that appears to be definitely on the down grade!

In a letter dated March 9, 1928, Mr. T. E. Miles, Deputy Commissioner of Insurance, says in regard to the annual reports submitted by the various Secretaries: "I will state right here that many of these reports come to us in such condition, being made up by inexperienced parties, that they do not give information that is of much service."

Probably there is no more important element entering into the success of a mutual company than the selection of an honest, conscientious, industrious and capable secretary. He is pretty much the dynamo that keeps the company constantly moving forward, and if he fails to function properly the company usually does not make the progress that it should.

Of course it is recognized that the small size of companies of this sort, and the fact that they cannot pay a high salary, may make it somewhat difficult for a county mutual to easily find a capable secretary. But many of them have found such men, and are using them, and there appears to be no good reason why the Directors of the other companies cannot also do so, if they try persistently. It appears that some Secretaries are being retained in office at present simply "for old time's sake," even though they have outlived their days of usefulness. This is a very expensive and dangerous form of benevolence.

MEMBERS OF FARMERS' MUTUALS GET THE KIND OF OFFICERS AND DIRECTORS THAT THEY DESERVE.

Students of farmers' mutual or cooperative companies point out two

facts that, when considered together, are very important in insuring the success of a farmers' mutual. And after all, should not a group who are organizing to insure property first take proper steps to insure the success of their venture?

These two facts are the following:

(1) The success or failure of a farmers' mutual largely depends upon its management. With proper management such a company is almost sure to succeed in any section of Tennessee.

(2) The membership usually gets the quality of kind of management that they deserve. That is, while they may desire good management, yet if they try to get it by selecting an untrained man simply because he is a good fellow and not because he has good qualifications for the job, they will not deserve good management and will probably not receive it. The same thing applies to the selection of directors.

Hence we may say that the responsibility for the success of a farmers' mutual rests upon every individual policyholder, and it is impossible for him to delegate all of this responsibility to any other parties. Furthermore, if he does not take an active interest in the selection of directors and officers, and if later the company fails he has no one else on whom he can place all the blame, but must assume some of it himself. For, because of his lack of interest, he got the kind of management that he deserved.

ADJUSTMENT OF LOSS

Table No. XXXVIII.

County Organization.	Party adjusting losses.	Method used when settling disputed claims.
Blount	Pres., V.Pres., & Sec.-Treas.	No data
Bradley	Pres., V.Pres., & Secretary	Arbitration
Campbell	" " "	Compromise
Carroll	By members.	Arbitration
Carter	Sec. and two other members.	Arbitration
Cooke	Dir. where loss occurs	Left to Board of Directors
Franklin	Adjusting committee	Adjusting committee
Greene	Two or more directors	Two or more directors
Hamblen	Directors	Executive committee
Hamilton	Agent and Secretary	Arbitration
Hawkins	Director and adjuster	No data
Jefferson	Adjuster appointed by company	Arbitration
Knox	President	No data
Loudon	Pres., Sec., & nearest director	No data
McMinn	Board of directors.	No data
Meigs	Agents and directors	Arbitration
Monroe	Executive committee	Arbitration
Moore	Committee of three	Arbitration
Putnam	President and Secretary	Board of directors
Rhea	Ex. Com.# Pres., V.Pres., & Sec.	Executive committee
Roane	Pres., V.Pres., and Secretary	Board of directors
Sevier	Directors	No data
Shelby	President and Secretary	No data
Sullivan	District Director	Arbitration
Sumner	Pres., Sec., or both	Arbitration
Warren	Adjusting committee of three	Adjusting committee
Washington	District director	No data
White	Fire committee	No data

A study of the foregoing table shows that various plans or combinations of plans are used in the adjustment of losses. Information concerning the agency used in this connection was furnished by twenty-five of the thirty three county mutuals which were sent questionnaires. The Secretary was named as one party in the adjustment by eleven of the companies; the President by ten; the Directors by ten; an adjusting committee by three companies; the executive committee three times; the agent twice and various combinations of these were also used in adjusting losses. No one plan can be spoken of as most common. Cocke, Sullivan, and Washington County companies let the director in the district where the loss occurs adjust the loss. In Knox County, the President alone does practically all the adjusting, while in Carroll the members attend to this. Jefferson County company appoints a special adjuster for the work, while White County has what they term a "fire committee" to adjust losses.

A few words by way of comparing the adjustment plans in vogue will not be out of place just here. First, let us consider briefly the district-director plan. The director residing nearest the party having the loss is apt to be more or less related to the loser, which might influence him to be somewhat partial and not serve the best interest of the company. Then again, in case the party being settled with for a loss was of a contentious nature, the district director had rather be very liberal in his recommendations of settlement than to become involved in a long drawn out discussion or possibly litigation. Furthermore, should the loss be of questionable incendiary origin, any nearby adjusting party would prefer recommending payment of the loss to incurring the dislike of the insured and thereby jeopardize his own property.

Leaving the problem of adjustment altogether to members is probably open to some criticism for the reason that the average member insured in a mutual

company is not very familiar with such duties, is lacking in knowledge of how to arrive at just values on property destroyed and might be somewhat slow in expediting settlement of same.

A greater uniformity in adjustments could doubtless be secured by employing insofar as possible the same official or employee of the company to make all the adjustments.

Damage to property by fire, lightning, or windstorm often appears more serious to the owner than it really is. On this account, a provision to the effect that the company may satisfy the claim against it by repairing or rebuilding would be of practical value.

Methods Used When Settling Disputed Claims. In addition to finding out what agency did the adjusting of the losses, information was obtained as to the method used in case disagreements arose between the adjusting party or parties and the insured. A summary of these data shows that about one-half the companies resort to arbitration; Cocke, Putnam, and Roane County organizations leave it to the board of directors. Hamblen and Rhea each have an executive committee to act in such cases; Franklin calls on its adjusting committee and Campbell County effects a compromise if at all possible through the President, Vice-President, and Secretary, acting jointly. Seven companies gave no definite data on their manner of handling disagreements, and others made satisfactory settlement through mutual agreement.

Arbitration. Arbitration should be provided for in the policy to to settle difficulties that may arise as to the amount of indemnity due, in cases where the regular adjusting agency cannot readily effect a settlement. The simplest and perhaps the most satisfactory way of arranging for this arbitration is to have the company and the insured each select one party and let these two so chosen select a third member.

The cost of arbitration should be borne equally by the company and the insured.

Who Should Do Adjusting for a Farmers' Mutual? Some of the farmers' mutual companies state that they have losses adjusted by members of the company who live close at hand. Others report that losses are adjusted by the District Director living in that Civil District. Both these methods are very dangerous to the best welfare of the company and should be changed to some other plan. The three principal objections to these methods are:

(1) A member or a director living in a community, if he has lived there very long, is almost certain to be related to a large percentage of the people of that community, either by blood or by marriage; and is sure to have other close personal friends there. Besides this, he has to live with the people there and he likes to be on good terms with them. All this will cause too liberal an adjustment to often be made in order to satisfy the person having the loss.

(2) A person who will set fire to his own property will also fire another man's house or barn, if he gets mad at him. This is something that a local man making an adjustment would think of, and hence he would be inclined to have the company pay the man enough to satisfy him, rather than run the risk of having his own property destroyed.

(3) A third reason is that a member or director in this way is not accustomed to making appraisals, and hence even if he tries the best he can, he is likely to do an injustice to one party or the other. The company should have a regular man or committee to do the adjusting for the company everywhere, for in this way the adjuster will naturally become much more efficient.

It should be borne in mind that property destroyed by fire, or by a

railroad, is usually listed at a very high value by the claimant, and it is necessary that the adjuster not only know the real value of such property but that he have enough stamina to refuse to pay exorbitant claims. The principle that should be followed is to have a trained adjuster, or adjusting committee, of men who are not in position to be influenced in any way nor to have any bias in making the adjustment.

Of course it is realized that this method is a little more expensive, in some cases perhaps, than having the adjustment made by a nearby member, but it is much more business-like, and will probably give more universal satisfaction over a period of years, and thus insure the success of the company, than will the other method.

The Principle That Should Be Followed in Appraising Destroyed Property by a Mutual Should Be Set Out in the Policy. Some adjusters show a tendency to consider "what the item would sell for" in making an adjustment. The policy usually does not specify the method to be used, but states that the destroyed property shall be appraised at "its cash value." This leaves much possible difference of opinion as to just what constitutes its cash value.

Is it what the property would sell for at forced sale? Or at private sale? Or what a similar item would cost new? Or is it the use-value of the property to the parties suffering the loss?

It is evidently unfair to the insured to adjust the loss on the basis of what the article would sell for, because the value to the insured was much higher than that, and hence such an adjustment does not repay him for the loss actually suffered. This matter should be definitely settled upon by the company officials, and a clear statement of the method to be used should be included in the policy. In this way the insured will know what he may expect, and the adjusters will all follow the same method.

PAYMENT OF LOSSES

The length of time elapsing from the date of the occurrence of a loss until settlement is made to the insured for same varies considerably among the Tennessee mutual companies. A tabulation of the reports received relative to this particular point is shown below.

Table No. XXXIX.

County Organization	Time elapsing from date of loss until settlement.	County Organization	Time elapsing from date of loss until settlement.
Blount	30 days	McMinn	Within 60 days.
Bradley	Within 90 days.	Meigs	30 - 60 days.
Campbell	About 90 days.	Monroe	Within 60 days.
Carroll	Within 90 days.	Moore	" 60 "
Carter	From 2-6 months.	Putnam	30 - 90 days.
Cocke	Within 30 days.	Rhea	About 90 days.
Franklin	" 60 "	Roane	30 - 60 days.
Greene	" 30 "	Sevier	Within 60 days.
Hamblen	" 60 "	Shelby	Usually 3 weeks.
Hamilton	30 - 60 days	Sullivan	30 - 90 days.
Hawkins	Within 30 days	Sumner	Within 60 days.
Jefferson	" 60 "	Warren	Within 90 days.
Knox	Immediately	Washington	" 30 days.
Loudon	Within 60 days	White	" 60 "

A summary of the above data shows that five companies make settlement within 30 days; 10 within 60 days; and 5 within 90 days, from the date of loss.

Three companies reported that settlement was made in from 30 to 60 days; two in from 30 to 90 days; Shelby County reported that only three weeks elapsed before settlement was made; Carter County does not effect settlement until from 2 to 6 months, while Knox County Mutual pays its fire losses immediately because the president usually goes at once and adjusts the loss and payment is made immediately from funds on hand or from money borrowed for the purpose in case the loss is a very large one and exceeds the amount of funds already in the treasury. It should be stated, however, that Knox County operates on a modified advance premium plan, hence, seldom lacks funds with which to cover its losses as they occur. A more complete discussion of the wisdom of pursuing a policy similar to Knox County can be found elsewhere in this report under the heading "Fees and Assessments".

There can be no question of the need for prompt payment to the insured in case of a loss. When a man's house with all its contents, his smoke house containing the year's supply of meat, together with possibly his barn and its year's feed in storage, all go up in smoke, he is in dire need of ready cash immediately. The unfortunate loser should have relief at once. Provision should be made whereby his insurance money is readily available. In doing this, the company will then be rendering a service in line with the true motive of a mutual organization, namely: relief to the unfortunate.

The by-laws of some mutuals invest certain of its officials with authority to borrow money with which to pay small losses in lieu of making an assessment at once, the latter being postponed until some future time. Why could not this same policy be pursued to an even greater degree so as to include all losses both large and small? The insured could then have the use of his insurance money immediately and thus be saved considerable inconvenience and embarrassment. The company could thereby establish a reputation for a more prompt settlement of losses the lack of which subjects some of them to much unfavorable criticism at present.

QUICK ADJUSTMENT OF CLAIMS VERY IMPORTANT TO A MUTUAL.

One of the important things in a successful mutual is to have quick adjustment of losses. This is so for two reasons:

(1) It maintains the good will of the members. Nothing seems to disgust a person more than to have to wait weeks and months for his claim to be paid -- he expects immediate payment and is satisfied with nothing less.

(2) The member actually needs the money in many cases. He has to purchase or build or repair, buy furniture, etc -- or at least plan to do so, and he cannot do these until he has his money or knows when he will get it.

The company should borrow, if necessary, and pay promptly.

THE COLLECTION OF ASSESSMENTS.

The question of the collection of delinquent assessments is one that has bothered mutual insurance companies since their beginning, and sometimes has had considerable influence on the success or failure of a company. For instance in the case of the Cumberland County Mutual which failed, the fact that some members were slow to pay their assessments was given by some of the wealthier members as one reason for their withdrawal.

To meet this situation there was organized at Marion, Ohio, about the year of 1915 a company known as the Mutual Insurance Adjustment Bureau, an outside agency to assist Secretaries of Mutual insurance companies in the collection of delinquent assessments.

An official of that company says that their experience shows that this delinquency is almost always due to one of the following six reasons:

(1) An incomplete understanding on the part of the policyholder of the policy contract.

(2) The fact that the policyholder may have purchased other insurance covering the same property during the delinquent assessment period.

(3) A desire on the part of the policyholder in a few instances to escape his just and equitable share of the losses and expenses of the association during the assessment period.

(4) The sale of the insured property during the time covered by the assessment in question.

(5) The death of the owner of the insured property.

(6) The removal of the assured to some location other than that covered by the policy. This of course has to do in most cases with personal property contracts.

It is the contention of the Adjustment Bureau that the best way to approach these matters is from the standpoint of constructive helpfulness, pointing out to the assured in each case:

(1) The economic necessity for him to have under all circumstances full and complete coverage.

(2) That at least two parties must enter into and be a part of any contractual relationship and that the best interest of each of the contracting parties must be safe-guarded if justice is to be done.

Through this method of careful analysis and this humanitarian approach to the problems involved the Adjustment Bureau reports that they have been able to collect more than 75% of the delinquent assessments which have been turned over to them. Their collections are made almost entirely and exclusively by the use of letters to the individual delinquent. These letters

are written from the standpoint of the proper psychological approach and are so designed as to always leave "a good taste in the mouth" of the delinquent.

While this Adjustment Bureau is meeting a real need and serving a very useful purpose, as things are now constituted, as is shown by the fact that it now numbers its clients from almost every state in the Union, yet one wonders why a good live Secretary cannot perfomm this function almost equally well for his company, thus saving his company the commissions which would otherwise have to be paid out. The scale of commissions charged by the Adjustment Bureau is as follows:

For each collection of over $100 ----- 10%
" " " of from $50 to $100 - 15%
" " " " " $2 to $50 --- 30%
" " " " $2.00 or less------ 50%

The above schedule of commission rates applies to the size of payment received by the Adjustment Bureau and not to the size of the assessment. In other words, if $50.00 is paid in one sum to the Bureau their rate is 15%; but if it is paid in $5.00 payments the commission is 30%; while if it is paid in payments of $2.00 or less the commission is 50%.

It will thus be seen that a company can better afford to turn over its large accounts for collection than its small ones. Also that it may be desirable to borrow money and make only one assessment per year if the accounts not paid promptly are to be turned over to the Bureau for collection.

METHODS OF RAISING MONEY BY MUTUALS TO PAY LOSSES OCCURRING DURING THE YEAR.

In other states some mutual companies have built up a small reserve in order to have cash to pay fire losses when they occur and thus avoid delay

in making settlement and also to avoid having to make frequent assessments through the year.

Some of the Tennessee companies on the other hand follow the practice of borrowing money to pay losses through the year and only collect once a year through an annual assessment.

Still another problem that presents itself to an assessment company is how to pay unusually heavy losses that occur in one particular year without raising the rate so high as to discourage the membership and cause heavy withdrawals -- a thing that almost invariably follows a large increase in rates.

During the first few years of its existence the Knox County Mutual was faced with this latter difficulty. How could the emergency be met without causing the rank and file of the policyholders to become discouraged and withdraw? The question was finally answered by about 20 of the leading spirits in the company getting together and signing a note to the bank for the money, the premium rate being increased only enough to pay off this emergency cost over a period of several years.

Of course in this case the policyholders were each and every one responsible for their share of the loss, and the men who borrowed the money had these contracts as their security or collateral. But had it come to collecting these by law all of the amount probably could not have been collected, owing to the homestead laws which exempt considerable personal property -- that is, unless the property of only responsible men was insured. However, the payments were made, the men were repaid for their loan, and the company was saved from any mishap or setback.

The question naturally arises as to whether or not a farmers' mutual should not be able to borrow such sums as it may need for a year without the personal endorsement of individuals. Building and loan associations, which are similar to mutual fire insurance companies in many respects, borrow

money from banks in this way, and it would seem that a mutual insurance company should also be able to do so, especially after they are well established. In making such a loan the bank has three elements of safety or security behind it:

(1) When a farmer takes out a policy in a mutual he signs an agreement, which is equivalent to a note, in which he agrees to pay his proportion of any losses and expenses that may occur. What the bank really does then is to discount these notes or agreements for the time which is to elapse between the time of lose and the time for the next assessment. Of course part of these notes could not be collected by law but most of them could.

(2) There is the integrity and stability of the company at stake. Members want to keep it going, for their own personal interest, and they would rather pay for the losses than to have it fail.

(3) There is the moral obligation of the members. It is well known that the great majority of men will pay an honest debt even if they are not compelled by law to do so.

MAKING SURE OF PAYMENT OF ASSESSMENTS BY TENANTS AND SMALL PROPERTY OWNERS.

There is a question as to whether a farm tenant in Tennessee should be permitted by a mutual company to carry fire insurance on the assessment plan. This is because the state law allows him an exemption of certain property, where no chattel mortgage is given, and this in many cases covers all that the tenant has, thus making it impossible to collect the assessment by law.

Some tenants take advantage of this situation to escape payment of assessments, and at the same time they are able in many cases to keep their property insured continuously.

The method used by tenants in thus accomplishing their purpose is as follows: A tenant will take out a policy in a mutual company with the agreement that he will pay any assessments that may be made. Thus he has his property insured through the year. But at the end of the year when a payment of assessment is called for he does not pay, and moves to some other section of the county. He lets his old policy lapse for lack of payment, but applies for a new policy from his new postoffice and it is granted. This may happen three or four times, before the company catches up with him and refuses to issue any more policies to him, as the company has a large number of policyholders and does not recognize him when he applies from a different location.

Where there are more than one mutual company operating in the same county on the assessment plan (and in South Carolina some counties have as many as three) the man can change from one company to another, and get by with this scheme often for several years.

And even when there is only one company per county, when he changes from one county to another he can keep up this scheme for many years.

This being the situation it has been suggested that where the applicant does not have property from which the amount due can be collected by law that he be required to either:

(1) Pay a reasonable premium in advance.

(2) Give a note with good endorsements.

(3) Or give a chattel mortgage.

(4) State in his application that he does not owe the company anything.

Shannon's Code 1917 Edition Sections 3794 to 3798 covers this matter of exemption and should be thoroughly studied by mutual insurance officials before drawing up their application forms, in case they plan to insure property

owned by tenants and other small-property classes.

Another possible way of overcoming the difficulty in a case of this kind would be to write into the policy the stipulation that if any back assessments were owing to the company by a party having a loss then the company is not liable for the loss. Thus, if a man applied for compensation for a fire he would be investigated, the company would discover his fraud scheme and would be able to protect itself.

The following list of property which is exempt from seizure for debt to heads of families in Tennessee was furnished as on December 21, 1927, by Professor Henry B. Witham of the University of Tennessee College of Law. An inspection of this list shows the difficulty of enforcing a collection for insurance from farm tenants and small property owners in Tennessee.

List of Property Exempt from Seizure for Debt to Heads of Families in Tennessee:

"Two beds, bedsteads, and necessary clothing for each; and for each three children of any one family, one additional bed, bedstead and necessary bed clothing, the value of such bedsteads in no case to exceed twenty-five dollars.

One dozen knives and forks.

One dozen plates.

Half dozen dishes.

One set of tablespoons.

One set of teaspoons.

One bread tray.

Two pitchers.

One waiter.

One coffee pot.

One tea pot.

One pair cotton cards.

One pair wool cards.

One cooking stove, and utensils, or one set of ordinary cooking utensils.

One meal seive and one wheat seive.

One cradle.

One Bible and hymn book, and all books used in school.

Two gourds.

Two punger gourds.

One carpet, in actual use by the family, not exceeding in value twenty-five dollars, and one home-made carpet, manufactured by the wife or any female member of the family, for family use, and being so applied.

One canister.

One cream jug.

One dozen cups and saucers.

One dining table and two tablecloths.

One dozen chairs.

One bureau, not to exceed forty dollars in value.

One safe or press.

One washbasin.

One bowl and pitcher.

One washing kettle.

Two washing tubs.

One churn.

One looking glass.

One chopping axe.

One spinning wheel.

One loom and gear.

Three strings of red pepper.

If the family consists of less than six persons, one thousand pounds of pork, slaughtered or on foot, or six hundred pounds of

bacon, or, if the family consists of more than six persons, then twelve hundred pounds of pork, or nine hundred pounds of bacon, and all the poultry on hand, and fowls to the value of twenty-five dollars.

Two cows and calves, and if the family consist of six or more persons, three cows or cows and calves.

Fifty head of sheep and the fleece that may be shorn from the same.

Six cords of wood or one hundred bushels of coal.

One sewing machine.

One hundred gallons of sorghum molasses.

Thirty stands of bees and the product of same.

One hundred pounds of soap.

Fifty pounds of lard.

One hundred pounds of flour.

Fifty pounds of salt.

One hundred pounds of beef or mutton.

One pound of black pepper.

One pound of spice.

One pound of ginger.

Twenty pounds of coffee.

Fifty pounds of sugar.

Three bushels of meal.

One bushel of dried beans.

One bushel of dried peas.

Fifty bushels of Irish potatoes.

Fifty bushels of sweet potatoes (provided they be kept for family use and not for sale or merchandise).

Ten bushels of turnips.

One pair of andirons.

One clock.

All the canned fruits put up for the use of the family (not

to exceed twenty dollars in value).

Twenty bushels of peanuts.

Two horses or two mules, or one horse and mule, or one horse or mule, and one yoke of oxen.

One ox cart, yoke, ring, staple, and log chain.

One two or one-horse wagon (not to exceed seventy-five dollars in value), and harness.

One man's saddle.

One woman's saddle.

Two riding bridles.

Twenty-five barrels of corn.

Twenty bushels of wheat.

Thirty-five dollars' worth of roughness, to consist of oats, fodder, and hay, or either of them.

Two hundred bushels of cotton seed.

Fifty pounds of picked cotton.

Twenty-five pounds of wool.

A sufficient quantity of upper and sole leather to provide winter shoes for the family.

Three hundred pounds of tobacco in the hands of the producer. "

COLLECTION OF DELINQUENT ASSESSMENTS BY MUTUALS.

There is a company located at Marion, Ohio, and known as the Mutual Insurance Adjustment Bureau, which engages in the collection of delinquent assessments for mutual insurance companies. In their advertising they state that they:

(1) Have been successful, on the average, in collecting 75% of the delinquent assessments placed in their hands.

(2) They do not make any charge on accounts not collected, but receive a commission on the amount collected.

SHOULD TENNESSEE FARMERS' MUTUALS ESTABLISH A RESERVE FUND?

A surplus in the treasury brings temptations to an insurance company, mutual or otherwise.

Mr. F. W. Card in his book on "Farm Management", page 220, after describing the assessment mutuals, adds:

"Another type of company levels a fixed rate per $100.00 thus accumulating a fund upon which to draw when losses occur, aiming thereby to secure a surplus which shall provide against assessments, although the parties are liable to such assessments whenever occasion may demand it. This plan is more like the plan of the old-line companies and may be subject to the same temptations.

On the other hand, some people argue that a farmers' mutual fire insurance company should set up a reserve or surplus fund. The reasons given are that one of the most frequent causes of discontent on the part of members, and their consequent dropping out of the association, is an unusually high assessment. This unusually high rate is generally caused by the happenings of a single year, or at most the happenings of a few such years.

It is argued that farmers will be much better contented if they pay a reasonable rate each year and pay about the same amount annually, than they will to pay a low assessment for a few years and then have it suddenly become high. This, they say, is psychology, for after we get accustomed to a certain rate or price we object strenuously to having to pay more; and even if the average is the same over a period of years (as it would be) it is advisable to run the rate as nearly even each year as possible. To do this the company should begin, according to this theory, as soon as it is organized to set up a surplus or reserve in good years, this to be drawn upon in bad years. In some years the company will not have any losses at all and in these

it is argued that if a small assessment is levied it will keep the rates in later years to a very low figure.

Another method of accomplishing about the same purpose, of course, is for the company to borrow from time to time to care for unusual demands.

SHOULD EXTREME LOSSES BY MUTUALS BE AMORTIZED INSTEAD OF LEVYING A HEAVY RATE FOR IMMEDIATE PAYMENT?

It appears that the State Law of Tennessee makes it mandatory on farmers' mutuals to quickly make an assessment sufficient to cover the loss, even if this runs the rate per $100 much above the usual cost. It seems that the question may be fairly raised as to whether this is the best policy. It is almost sure to cause extensive withdrawals and thus greatly weaken the company. Would it not be a better plan to amortize the unusual part of this loss over a period of years, charging enough to pay the usual loss and part of the catastrophe lossage each year? Probably it would be necessary to borrow the money to do this and thus cost some interest -- but the members would have the use of the money not paid out and thus the interest would be equalized, and the morale of the company would be much better maintained.

A SIMPLE BUT ADEQUATE ACCOUNTING SYSTEM IS BADLY NEEDED BY MANY COUNTY MUTUALS.

Examination of the accounting system used by Tennessee farmers' mutuals shows that some of them, especially the smaller companies, are very poorly kept. The Secretary has not had either training or experience in bookkeeping work but rather, in many cases, is a practical farmer. And where one man is secretary, general manager, and bookkeeper the emphasis in his selection is very properly placed upon character, good reputation, and practical knowledge

of farm risks, rather than upon technical knowledge of bookkeeping.

It is not surprising, therefore, that the forms and plans for keeping records now in use by the smaller companies are frequently deficient. In some cases they:

(1) Fail to furnish the information desired by the directors.

(2) Inadequately supply data desired by the State Insurance department.

(3) Involve much duplication of work and data without any corresponding benefit.

One of the greatest needs of many of these small companies is, therefore, a system of records which is simple and sparing in its demands upon the time and effort of the secretary, and yet makes readily available all necessary information concerning the business of the company.

In order to furnish the directors and officers of the company with the type of information they need, such an accounting system should show:

(1) The cost of insuring each class of property, such as frame dwellings, brick dwellings, shingle roofs, asphalt roofs, barns, schools, churches, etc.

(2) The cost of fire losses, lightning losses and tornado losses separately.

The necessity for this is because of the desirability of fixing rates in such a way as to have each class of risk bear its proper share of the expenses due to losses.

OFFICIALS OF FARMERS' MUTUALS SHOULD BE FULLY BONDED.

Some of the farmers' mutuals of Tennessee require that their secretary and treasurer be bonded, but it appears that most of the companies do not.

On the other hand almost all the similar companies in New York State require such bonds.

If an official who handles the money is not bonded he may abscond or lose the money and often it cannot be collected from his personal assets. Of course it is assumed that such an official is honest, else he would not be elected, but the same assumption is made by banks in regard to their officers, yet they do not fail to bond them -- and it is well known that many such officials fail to keep their trust. All bank officers and clerks are bonded by a good strong bonding company.

In Tennessee a great many of the companies are managed by one man who acts as both Secretary and Treasurer. In this case he is probably the only officer who needs to be bonded; but where these offices are separated it will likely be desirable to bond each of them.

As to the amount to be required as a bond, this will depend upon the amount of money to be handled by the official at any one time. The bond should be equal to the total amount of funds of the company which this official could get in his hands at once. This means that where there is a surplus or reserve fund the official would likely be bonded higher than where no such fund exists. It may be necessary to raise the amount of the bond as the company grows, and

(1) Larger individual risks are written by the company.

(2) A larger reserve fund is created.

In common practice these officials are usually bonded at from $4000 to $10,000 each.

Care should be exercised to see that the bond, when made, is really good for that amount, and that it remains so. The best and safest bond of course is that made by a strong bonding company; but this is quite expensive and it is probable that a safe bond can be made by local men going on the

official's bond. Observation of the bonds made by local county officials in this way, however, leads to the following precautions being recommended:

(1) Check the endorsers carefully to see that they are amply able to meet the obligation if necessary.

(2) These bonds should be watched carefully and the Board of Directors should have the right to require additional endorsements, at their discretion, at any time. This is because of the large number of failures and bankruptcies among the class of men who frequently endorse notes and bonds for others.

FARMERS' MUTUALS SHOULD HAVE AN ANNUAL AUDIT.

Each farmers' mutual fire insurance company should have a careful audit of its books at least once each year. The Commissioner of Insurance is required, by law, to examine them at least once in each three years, and they are also required to render an annual report to the Commissioner. This, however, is not adequate to protect the stockholders, for the reports can be padded by the official and there is no way for the stockholders to know that they are getting a square deal except by an annual audit. Probably this will not be necessary on the years the Commissioner makes his examination provided the latter checks the books carefully.

Possibly the best way to remedy this situation is to have an annual audit by the Commissioner of Insurance instead of only one in three years.

In his annual report for 1926 Harry P. Cooper, Secretary of the National Association of Mutual Insurance Companies says: "Some managers are operating on the 'cost plus' system. The plus goes into the manager's pocket. It may be a 30% or a 40% basis or a fat fee on each application and each assessment or premium. But the big idea is the plus that goes into the manager's pocket. Such people have no place in mutual insurance. Exploiters are creeping in,

and they are determined to get theirs while the getting is good." Page 55.

FARMERS' MUTUAL POLICIES SHOULD BE WRITTEN IN POSITIVE RATHER THAN NEGATIVE FORM.

The so-called "standard policies" used by the commercial companies are all written from the negative point of view. That is, they specify that the company will not be responsible for this and that, and it will not be liable under a great list of circumstances. Very little is said as to the positive side -- that is, what the company will do. It appears that this must be arrived at by a process of elimination, by eliminating all the long list of things that the company will not pay for.

It seems that the policies could be made much plainer and more easily understood by stating the policy the other way around -- by stating what the company will do and under what circumstances it will do it. We are convinced that farmers would understand their policies much better than they now do if this plan were followed. At present many of them have only a hazy idea of the exact coverage of their policy.

A rather surprising thing in this connection is that some of the farmers' mutuals have followed this same plan in writing their policies -- though perhaps this is due to imitation. It would seem that since farmers' mutuals are organized by farmers and operated by farmers for the benefit of themselves that they would state their policies in a more straight forward way. And, as a matter of fact, several of the companies in this state do so.

This objection has been urged against the "standard policy" which was adopted and urged by the Standard Policy Committee of the National Association of Mutual Insurance Companies -- it is modeled after the negative policies which are used by the commercial companies, and follows

their negative method of statement throughout.

CLASSIFICATION OF RISKS IS NEEDED.

The returns from insurance companies stated that they made no classification at all of the risks insured. Proper classification for premium and assessment purposes is one of the outstanding needs of Tennessee companies. Justice as well as expediency demands it. It is obviously unfair to apply the same rate of premiums or assessments to a man who builds carefully and guards his property against dangerous conditions as is applied to one who builds carelessly and gives practically no heed to the safety of his property after it is constructed. To apply the same rate, for example, to a well-constructed stone or brick dwelling with slate, tile or metal roofing and equipped with proper lightning protection and fire fighting devices, as is applied to an unrodded, wooden barn having absolutely no fire fighting apparatus, certainly involves a very material discrimination against the better of the two risks. Some of the most desirable risks in the territory occupied by a local mutual are therefore picked up by commercial insurance concerns that do classify. The recognition of certain loss-resisting features through granting concessions in rates applied thereto, would be one of the most practical ways of encouraging the general improvement of risks throughout the business territory of the companies. By giving reasonable concessions in its charges on desirable risks, the company offers a strong inducement to the farmer to improve his property by eliminating needless fire dangers.

A suggested classification of farm property, with the contents of buildings taking the same classification as the building in which they are kept, which might be used to advantage by Tennessee mutuals is as follows:

Class A. Brick, stucco, concrete-block, tile, or stone dwellings with roof of tile, slate, metal, or other noncombustible material having lightning-rod protection.

Class B. Same type buildings as above but with wooden roofs and properly rodded. Wooden dwellings with roof of non-combustible material when properly rodded. Unrodded Class A buildings.

Class C. Wooden dwellings with wooden roofs, when properly rodded. Unrodded brick, stone, or concrete dwellings with wooden roof. Unrodded wooden dwellings with roof of non-combustible material. Garages, machine sheds, cribs and poultry, meat, well or hog houses located not less than 100 feet from any other building. Livestock anywhere on premises of insured.

Class D. Barns, silos, livestock off premises and garages, cribs and other buildings attached to or located within 50 feet of any other building. Unrodded wooden dwellings with wooden roofs.

Class E. Buildings housing a light plant, stationary engine, blacksmith's forge or other similar hazard.

The above classes of insurance can be charged an initial premium proportionate to the hazards involved. If all additional assessments are based on this initial premium, there will be very little increase in the work of keeping the necessary accounts, or computing the assessments. Such a reasonable classification of risks will enable a company to make more equitable charges for insurance, it will ward off competition, and encourage the improvement of risks and the consequent reduction of needless fire losses.

Rates for Classified Risks. Based on the average cost per $100 of insurance carried by members of the Tennessee mutuals for the 14-year

period, 1913 to 1926, inclusive, which was 40.5 cents, the following rates for classes already outlined are believed to be suggestive of proper relative charges for local fire mutuals in most the counties:

Class A	26 cents per $100
Class B	33 cents per $100
Class C	40 cents per $100
Class D.	48 cents per $100
Class E	55 cents per $100

Such rates should be adjusted in each case, however, on the basis of the past experience of the company, wherever such experience covers a sufficient period of time and a sufficient amount of risk to be significant.

KNOX COUNTY MUTUAL DECIDES TO REDUCE DISTANCE REQUIRED BETWEEN BUILDINGS INSURED.

At its annual meeting on January 7, 1928, the Farmers' Mutual Fire Insurance Company of Knox County amended its by-laws to read as follows:

"Buildings with composition or fire proof roofs 75 feet or more from an adjoining owner may be insured at the same rate of assessment as other property with 100 feet or more segregation; and one story cottage or bungalow buildings with composition or fire proof roofs 60 to 75 feet distance from the buildings of an adjoining owner may be insured upon payment of 10 cents per $100 additional assessment charges. All insurance risks are subject to the approval of the Executive Committee."

It should be noted that these properties must belong to separate owners before they can be insured if they are less than 100 feet apart.

The reasons given for this change in policy are as follows:

(1) Buildings are now being constructed more carefully than formerly so far as fire danger goes, the composition roof having largely replaced the wood shingle roofs and it is felt that with this type of roof is as safe at 75 feet as is a wood shingle roof at 100 feet.

(2) Arrangements have been made to have the Knoxville Fire Department send its trucks to fight rural fires, the company paying the cost, and this reduces the risk to nearby buildings.

(3) About all the desirable farm property in Knox County that was eligible under the old regulations was already covered and if the company was to grow it needed to take some of the desirable suburban property on its list.

KNOX COUNTY FARMERS' MUTUAL PAYS FOR FIRE ALARMS.

At a recent meeting (1927) of the Knox County Mutual it was voted to pay the cost of having the city's fire equipment answer an alarm to any member's home, and officers of the company were so authorized. The simple statement "a member of the Farmers' Mutual Fire Insurance Company" and the location of the fire is the only necessary information members of the company have to give the Knoxville fire department in order to secure an immediate response. It is not necessary for the individual member to guarantee to make a payment for the call, since the company will pay for it and has already guaranteed to do so.

The city charges from $25.00 to $50.00 for each call made outside the city limits, depending upon the distance from the city.

This is a splendid cooperative arrangement, and is worthy of study and emulation by other farmers' mutuals in the state that operate in a territory contingent to a town or city having a fire department.

It has been suggested that this service should be taken over and paid

for by the county, having the county bear the expense of any call made for one of its citizens, just as the city does for its citizens how, but no provision of this kind has thus far been made by Knox County, and there is no concerted movement yet to have it do so. The circumstances are somewhat different between the city and country property, because a fire in the city may spread and become a windespread conflagration, and hence many citizens are interested in it. But with property segregated as it is in the country this interest among other citizens is not so extensive.

PRORATING OR DISTRIBUTING PLAN SHOULD BE APPLIED TO LIVESTOCK INSURANCE.

It appears that most of the farmers' mutuals in Tennessee insure livestock under what is known as a "blanket" policy. That is, a fixed sum of insurance is placed on each class of animals, as for instance a given sum per horse killed and a different sum per unit of cattle killed. The loss of one or more of the animals within the group calls for indemnity equal to the value of the animal or to such maximum sum as may be stipulated in the by-laws on indemnity for any one animal. Only in case the value of the animals lost exceeds the blanket amount on the group or class of animals does the insured fail to receive essentially full insurance compensation.

This plan has proved to be decidedly inequitable in many instances, and should be abandoned by every company which insures livestock. The farmer with only two or three horses or mules finds it necessary to carry an amount of insurance sufficiently large to protect the gropp on a regular insurance basis. The larger farmer, on the other hand, with ten or twenty horses or mules on the farm may content himself with an amount of insurance no larger than the first farmer carries, figuring that the probability of loss of more than two or three animals at one time is very remote. Thus he protects

twenty horses at no greater cost than the other man pays for the protection of two. The same inequity exists in perhaps even greater degree with cattle.

The most practical plan for giving reasonable justice between members in insuring livestock is by prorating or distributing the coverage. This is simply a variation of the blanket coverage plan to provide that in the case of loss of an animal the indemnity due shall not exceed an amount equal to the total insurance on that class of animals divided by the number of animals in the group. If a man under this plan attempts to protect 20 horses by $500.00 insurance he will find in case of the loss of one horse that he can collect only 1/20 part of $500.00 or $25.00. He is compelled therefore to carry and pay for an amount of insurance in proportion to the protection received.

This plan is rapidly gaining in favor among progressive mutuals in some of the other states.

EQUIPMENT NEEDED BY A FARMERS' MUTUAL.

The amount of money invested in office buildings, office equipment, etc., as will be noted from a perusal of the following table, is exceedingly small as compared to the value of these same items in other business organizations doing an equal volume of business. Hamilton County Mutual Insurance Company reported only $25.00 worth of office equipment. Other companies had various amounts running all the way from $25.00 up to $1000 for companies not owning an office building. The latter figure was reported by Knox County Association. An average of twenty-two companies reporting a definite figure for the value of their office equipment showed this investment to be $530. Exclusive of office buildings which was reported by only one county, the average was $257.27. Sumner County was the only organization owning an office building which, together with office fixtures, ran their investment

in equipment up to the sum of $6,000 or more than the combined value of all the other companies' office equipment.

The reason for a small average investment in office equipment by the mutual insurance associations is obvious. The business headquarters is often in a farm home where the records are kept and the clerical work done at odd times by the farmer-secretary as suits his convenience. Not infrequently some member of the farmer's family assists in keeping the books of the company and in mailing out assessment notices, etc. Thus, by having the office work near at hand, the secretary, who is usually a bona fide farmer, can fit this work in with his farm duties as time and opportunity permit and also make use of the services of other parties within his household who may be even more proficient in such matters than the farmer himself.

Some of the secretaries are provided with safes within which to preserve the records of the company while many do not. It would seem only good policy for all the secretaries to be furnished adequate facilities to insure the safe-keeping of the books, funds, and other valuables incident to the proper conduct of any busines of such importante and magnitude. A small inexpensive fireproof safe would possibly suffice.

One of the greatest needs of many of the farmers' mutuals is a system of records which is simple and sparing in its demands upon the time and effort of the secretary, and yet makes readily available all necessary information concerning the business of the company.

Present methods of keeping records and accounts are almost as numerous as the companies. State officials have frequently expressed a desire for greater uniformity in the records of these companies.

VALUE OF EQUIPMENT OF TENNESSEE FARMERS' MUTUALS.

(Buildings, furniture, books, safe, desk, etc.)

Table No. XL.

County Company.	Value of Equipment.	County Company.	Value of Equipment.
*Campbell	0	Putnam	$250.00
*Cocke	0	White	250.00
*Meigs	0	Loudon	275.00
Hamilton	$25.00	Warren	350.00
Carter	35.00	Bradley	400.00
Shelby	40.00	Greene	450.00
Franklin	50.00	Jefferson	500.00
Moore	50.00	Hawkins	550.00
Sevier	50.00	Sullivan	800.00
Washington	50.00	Knox	1000.00
Hamblen	100.00	**Sumner	6000.00
Rhea	100.00	McMinn	No data
Roane	150.00	Monroe	No data
Blount	225.00	***Carroll	(books & safe)

* No doubt has books, records, etc. of some value.

** Includes value of office building owned.

*** Reported having books and a safe but placed no estimate of value thereon.

MANAGEMENT OF A MUTUAL SHOULD NOT CONCEAL ANY IMPORTANT FACT FROM MEMBERS.

In a mutual company there should be no secrets regarding the business that are kept from the membership. This applies to salaries paid, losses incurred, policies pursued, and all information of importance. There are two very good reasons for adopting this policy:

(1) The members, being the stockholders have a right to know these things.

(2) It is the best and safest course for the officials to follow. There is usually some opposition to any set of officials and this opposition will spread reports that may be very misleading and may cause the downfall of an efficient management just in this way.

The management should have nothing to conceal and should conceal nothing.

INTEREST IN THE MANAGEMENT OF MUTUALS IS UNDESIRABLE AND MAY WRECK THE COMPANY.

One trouble with many farmers' cooperative or mutual companies is that many members keep meddling in its affairs. The way it should be handled is this:

(1) Let the members elect the Directors and then none of them interfere any more that year.

(2) Then let the Directors meet, formulate policies, and select a manager to carry out the policies. They should not be continuously restricting the manager in carrying out their policies but should leave the details for him to work out in his own way.

Members seem to think that because it is their company that they have as much right as anyone to say how this, that or the other shall be done. Such interference has wrecked some companies and retarded many others, and will continue to do so wherever and whenever it is practiced.

RE-INSPECTION OF RISKS IN FARMERS' MUTUALS.

Insured property should be re-inspected by a reliable man every two years, for two reasons:

(1) Changes in the value of the property.

(2) To check up, before it is too late, on the work of any agent or representative who may be insuring the property at too high ratios.

The greatest mistake the Tennessee Mutual has made, according to Mr. Homer Hancock, Vice-President of that company, is in not providing for such re-inspection. He thinks that it would be a good thing to do even if it cost the company $10,000 per year to do it.

The greatest service that insurance companies can render is the prevention of disastrous losses to the insured. In working toward this end, they should employ the most effective means at their command. One of the most effective methods by which fire insurance companies can render service is to deal with causes rather than effects, to prevent losses rather than merely to equalize the resulting burden. Systematic inspection of risks by farmers' mutuals constitutes an effective way of eliminating losses. The reduction of losses through regular inspection of risks is a practical program for an insurance company.

There is a farmers' mutual fire insurance company in Illinois, organized over 50 years ago, that has made annual inspection of its risks from the first. The average annual cost of insurance in this company has been 7 1/2 cents per $100. This is less than 1/5 the annual cost in Tennessee where the average is 40 1/2 cents per $100. The Illinois company maintains that the annual inspection of their risks has been a prime factor in making such a low rate as theirs possible.

The improvement of risks through regular inspection would not merely

tend to a reduction of insurance cost but would immediately result in reduced premium charges and assessments.

SHOULD FARMERS' MUTUALS TAKE UP AND SELL AUXILIARY LINES OF INSURANCE?

During the last year or two there has been a tendency for some of the farmers' mutual insurance companies to take up additional lines of insurance besides that to which they devote their major effort. A few examples will serve to illustrate the point. The Knox County Farmers' Mutual is now acting as local agent for the Lumbermen's Mutual Casualty Company of Chicago in connection with automobile insurance. This is being handled by having Mr. J. W. Nichols, the agent of the Knox County company appointed as the official agent of the Lumbermen's, rather than having the local company designated as agent. Another example is the handling of tornado insurance by the Northwestern Mutual of Seattle by the Tennessee State Mutual. Again, some of the larger farmers' mutuals in the Northern states have organized a special division for handling automobile insurance for their members.

Three reasons are advanced for taking up these supplementary activities:

(1) In order to render more real service to their members.

(2) To do a larger volume of business, thus reducing the overhead and making it possible to reduce the insurance cost on all types of risk handled.

(3) In order to supplement the income of the agents, thus making it possible to keep them on the job and keep them better satisfied.

These are all worthy motives, and the only question is as to whether or not they are actually realized in every case by this expension of activity.

There are good arguments in favor of both sides of this question, and each company should consider the matter carefully from the standpoint of its own conditions. One thing is certain, however, and that is that no farmers' mutual should become the agent of any other company until after the most thorough investigation as to its safety and reliability. For should such a company fail it would not only work a great hardship on the members of the farmers' mutual, but would also tend to destroy the confidence of the membership in the integrity of the local mutual.

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C H A P T E R I I

FARMERS' HOME TELEPHONE COMPANIES IN TENNESSEE.

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PART I

HISTORY AND PRESENT STATUS IN TENNESSEE

PART II

ORGANIZATION AND MANAGEMENT OF RURAL COOPERATIVE TELEPHONE COMPANIES.

PART I.

HISTORY AND PRESENT STATUS OF FARMERS' TELEPHONES IN TENNESSEE.

THE VALUE OF THE TELEPHONE IN RURAL COMMUNITIES.

Farm telephone lines are being built because farmers, like every other business man, realizes more fully that time is money and that better contact with the immediate world in which he lives means increased profit and progress to them. Success in any line of business is a matter of knowledge, of being posted on changing conditions from day to day.

To know the conditions under which one's neighbors are working, to be in instant touch with the markets where one sells his produce, to get weather reports in time to protect one's crops, to be able to cut down the time formerly spent in going to town for small or great necessities, means more time to devote to making the farm produce.

These are some of the business reasons why farmers are building, organizing, and owning their own telephone systems in different parts of Tennessee. But there are reasons for enjoying telephone service other than those of financial profit. A telephone in the house brings one closer to one's neighbors in a social way. The social side of life which our grandfathers enjoyed in the days of the husking bee, barn raising, etc. and with which the keen competition of today has to some extent interfered, is being brought back to rural people by the telephone. There is a great deal of nonsense being written about the monotony of farm life, but it must be admitted that in some regions the farmers are missing part of the enjoymnet which closer contact would bring.

The telephone by making the arrangement of little social events a matter of minutes instead of days, as is often the case where mail or messenger has to be depended upon, is reviving community interest wherever it is in use. The wife is less lonely while the husband is away, with a telephone at hand; for a telephone is company. The boys and girls are more contented to remain at home if they thus have more of the companionship of their kind, which the telephone makes possible. A telephone reduces miles to minutes in a community and for that reason is more beneficial to the farmer than to the city man, because distances in the country are greater and a farmer cannot travel from his farm to wherever he needs to go for a seven cent car fare.

Of course many farmers have gotten along until now without a telephone, but even so it has not been many years ago that all farmers got along without the binders, threshing machines, automobiles, and hundreds of other things that they today could not well do without owing to the fact that other competing farmers have them.

After having a telephone for awhile farmers often wonder how they ever got along without it before, and to do without it again has been compared with mowing with a scythe. and threshing with a flail. With a telephone the farm becomes a part of the outside world; farmers can be well posted as to prices; the wife can make her household purchases from the store or sell her eggs and butter without the farmer having to drive several miles; the boys and girls can communicate with the neighboring young folks without neglecting their home and farm duties.

When we figure that there are only about 200 good working days per year on a farm it is plain that every one of these days counts. Delays due to accidents to farm machinery, which might mean a spoiled crop sometimes if a long trip to town and back had to be made, can many times be lessened by tele-

phoning for a new part if it is kept in town, or sending a telegram or telephoning the dealer to wire for one at once. In any event other farm work can be done and the farmer need not lose time because of having no quick means of communication.

Market figures, which often change before a farmer can get them through the newspaper and then reach the market with his product, may be obtained quickly, thereby preventing the shipping of products at times when prices are unsatisfactory.

The farm help problem on the farm has in many cases been partially solved by the telephone by (1) enabling the farmer to obtain part time or extra help when needed, and (2) by enabling the farmer and his family to save valuable time which can be used on the farm. This is an important matter in these days when it is becoming more difficult and expensive in Tennessee to keep farm help permanently.

In case of illness the telephone saves much time in calling the doctor and may often prevent serious illness and save lives. When a veterinarian is needed the ease with which his instructions can be received over the telephone and followed until he can reach the farm is often the means of saving farm animals whose value is many times the expense of telephone service for several years.

As a means of protection to women when the men are away the telephone is important. Tramps and dissolute characters, fearing apprehension, are not so likely to risk having a whole community put upon their track at once by telephone. Petty thieving and insolent conduct may be much lessened in a community where the telephone can spread news and personal description before the offender can escape.

To sum up its advantages, the farm telephone links together the farms and the towns about which they center, making the rural districts an integral

part of the business and social areas of their respective centers of population. It gives to farmers all the intellectual and commercial advantages of close connection with the towns without any of the restrictions or disadvantages. It has become almost indespensible to the business and social life of every community.

Rural telephones develop initiative. Ofttimes the difficulties that must be overcome in starting one of these rural telephone systems develops considerable initiative and community spirit. Farmers, in constructing and maintaining the lines learn how to work together. It increases their confidence in themselves and gives them courage to undertake still other cooperative business activities. As a local telephone circuit enlarges and it becomes desirable to establish connections with outside companies, great obstacles are sometimes encountered in the form of a demand to pay high rates or occasionally to give up their independance altogether. It is in fighting such battles as this that tend to wield the membership into a united whole. The obstacles in their path when establishing the system becomes the very agency necessary to awaken in them a strong neighborhood consciousness and to give them fighting spirit. Some of the mutual companies have the opposition of large consolidated companies to thank for their local organization and later for their connection with a network of independent companies extending over a large part of the country.

Telephones are a valuable social agency. Rural telephone systems have had a social influence that has been incalculably great. Questions of weatherr reports, market quotations, labor assistance, medical aid and social gathering have been much simplified. The former isolation and consequent lonliness of the farm home is no longer possible with neighborhoods united with phones. The telephone circuits of many of these rural communities are to be classed along with the district school and the country church as a means

of social grouping.

To summarize then we may say that farmers benefit from a good telephone system in the following ways:

(1) Weather reports can be had frequently and down-to-date.

(2) Farm supplies can be ordered and received by parcel post, saving a trip to town.

(3) The doctor, veterinarian, druggist, etc. can be reached promptly and easily.

(4) In case of fire or accident the neighbors can be summoned quickly.

(5) Announcements of interest to the community can be easily made over the telephone, especially by use of the "line call," which brings a representative of every farm home to the telephone. This is used in connection with community social and recreational events, church services, school programs, etc.

(6) Constant contact over these lines stimulate neighborliness on a broader scale and thus encourages cooperation along lines helpful to the community.

(7) In large measure eliminates any feeling of loneliness or isolation on the part of farm people.

(8) They develop initiative among the rural population.

(9) The telephone is a valuable social agency.

HISTORICAL DEVELOPMENT OF FARMERS' TELEPHONES.

The development of the rural telephone service during the last generation has been a leading factor in the amelioration of country life conditions. According to data compiled by the Bureau of the Census there were 17,902 farmers' telephone lines in the United States in 1907, including 565,649 telephones; the largest development of lines occurred in Iowa, Missouri, Illinois, Kansas, Indiana, and Ohio. At the same time there were three hundred and sixty-eight

mutual or cooperative systems which are organized principally in the rural districts operated by the commercial companies.

A farmers' telephone system as understood by the Census Bureau is one that has no regular exchange or central of its own, but which may or may not be connected with the exchange of a Bell or of a commercial or mutual system. These lines are not incorporated. A mutual or cooperative system is operated primarily for the convenience of its members, and not for profit. The members are assessed to pay expenses of operation, maintainance, and extension. Many of these cooperative associations are incorporated. The commercial systems are operated primarily for profit and comprise the Bell system and independent commercial companies.

The rural telephone service dates back thirty-three years ago when the Bell Company, which then controlled the patents, leased telephones to be used between the residences of a community. They were not exchange telephones, and under this system the farmers of a community could enjoy a telephone service, though they were not connected with any other line. The next step occurred in the early eighties, when these independent circuits were connected through an exchange. After 1893, when the principal patents on the telephones expired, the farmers began to organize their own lines, the movement being aided by the Bell and other commercial companies in order to develop a large rural service that would eventually be connected with the great trunk systems of the Bell Company. The evolution of the rural telephone system is thus related by the Bureau of the Census.*

"In those communities where the farmers have built their own telephone lines, the original form of organization has been purely mutual. Construction has been a cooperative work, and the association of the farmers the most primitive type of corporation. The establishment and development of such farmers' telephone systems have usually gone on along evolutionary lines, and have followed more or less closely the form herewith outlined. A group of farmers

*"Telephones" 1907

who lived within a reasonable distance of one another, having come to the conclusion that telephone service was an essential comfort of life, and that it had already passed from the region of luxuries into the field of necessities, would meet together and arrange to establish a telephone system which should connect them with one another. The work involved in constructing such system would be so divided that each member of the association would contribute an equivalent part of the material and labor. If the country was wooded, the farmers making up the association agreed to cut and supply the poles and to haul them to the places where they were needed. In many cases it might happen that one member of the group of farmers had a wood lot and could supply all the poles, and he would agree to furnish a sufficient number of poles, while the other members of the association would take charge of the work of setting them and stringing the wires. The farmers' boys and the farm hands did the work of setting the poles and putting on the cross-arms, which would in many cases be hewn out of native timber. The wire and the insulators, the switchboard and the instruments, would have to be bought, and so a cash assessment would be levied on each member to make these purchases. If it became necessary to buy poles because of the lack of suitable timber in the district, the assessment had to be proportionally increased. The work of stringing the wires and installing the instruments was taken up by the mechanically-minded farmers and their boys, and in a very short time a complete telephone system was in operation. The switchboard was placed in the house of one of the members of the association situated at some convenient point, and the operation of the lines was attended to by the wife and daughters of the farmers in whose home the board was located.

"A strictly mutual, isolated system of this kind sufficed for a while to give all the telephone service this particular group desired, but it was not long before progressive farmers realized the need of connection with the outer world. Negotiations would therefore be opened with the telephone company

operating in the nearest town, the town with which these farmers did their usual trading, for a contract by which the farmers could secure town service and also get access to the toll lines reaching to the county seat and the metropolitan center of the district. These contracts between the groups of farmers and the larger systems operating in the cities and connecting with the long-distance toll lines made these farmers' groups or mutual companies, as many of them were called, a part of a larger system -- sometimes the Bell, sometimes the independent -- and marked the first step toward attaining the ultimate end of telephone service, which is to enable every one who has access to a telephone to reach every other person who can reach one.

"The connection with the more important systems in a way furnished all the telephone service needed for the second period of development, but a third step had to follow. In many cases, as these little mutual farmers' lines took on more subscribers and extended from farm to farm, they began to overlap one another in the territory served, a fact which in the natural sequence of events led to the consolidation of these lines and the formation of larger systems. As a result of this process of consolidation the purely mutual character of the ownership became weaker. In order to secure a proper maintenance of the lines and those uniform methods of operation and construction which are essential to good service, it was found necessary for their ownership to take the corporate form; and today a very large number of incorporated telephone companies exist in the United States controlled by a regularly elected board of directors, which are in reality nothing but a combination of small groups of farmers forced by the circumstances to take the form of a corporation."

"The establishment of the farmers' lines, is, of course, inexpensive, so far as cash expenditure is concerned. The farmer contributes what he has the most of; that is, labor and material, and is called upon for the smallest possible amount of what he finds it hardest to secure; that is, cash. For a company to undertake this construction would require enormous sums of money,

and this money would represent simply the conversion of one form of wealth into another with no gain in the total wealth. The farmers build these lines in their spare time; that is, in the time which otherwise would not add anything to the wealth of the community, but which by this means is directly converted into permanent wealth.

"To maintain the telephone line it is customary for the various members of the association to become responsible either for that portion of the line located on their farms, or for some other definite portion of the system, and inasmuch as the service on the whole line depends upon the proper maintenance of every portion of the line, if any one of the members neglects to keep up his portion he soon finds himself in disfavor with all the other members of the group. On the other hand, the farmer who knows that a friend is responsible for the quality of the service on his telephone line is far more lenient toward small interruptions in the service or faults in transmission than he is under similar circumstances when the service is furnished by a company. When, in course of time, it becomes necessary as a result of the expansion of the system to secure the services of some one who shall give his whole time to seeing that the line and the instruments are kept in proper repair, farmers' boys are found growing up in every country community who take an interest in electrical and mechanical methods, and who gladly devote themselves to this work for a very moderate amount of cash payment, their ambition being to learn the methods of operating.

"The operating expense of the telephone service is likewise small. A switchboard placed in a farmer's house and attended by the farmer's wife and daughters makes but little demand upon the time of any one, and this service is given for a minimum cash payment. The mere fact of having the switchboard, the center of the farmers' group, is often a source of sufficient pride to cause this work to be done for nothing.

"Thus it happens that in the earlier days of a farmers' telephone system, when the plant is small and is carefully looked after by the members of the association, the cost of the service is very trifling. Later on the plant grows old and deteriorates and requires more repairs. The number of subscribers increases, and the operators must spend their entire time at the switchboard. Storms come, and the partially worn-out plant succumbs more readily to the weather. The result is that at the end of the year the members of the association find that the expenses have been greater than in previous years, and much larger than they had ever figured on. This produces dissatisfaction, but still the telephone service has become so indispensable that it must be continued. When this stage has been reached, the association usually feels obliged to become a regular company and very often to consolidate with its neighbors, in order that the consolidated company may secure a technical man the cost of whose services can be apportioned among a sufficiently large number of subscribers so that this charge will but slightly increase the burden of each.

"Very few of those who express dissatisfaction with the increased expense of the telephone service which results from the conditions indicated, stop to think of the reasons for this increased cost of service, and of the increased value which their telephones now possess. As the system has grown, the investment has naturally become greater, and inasmuch as the newer subscribers are located at points more distant from the center of the group than were the first, the investment in poles and wires for each subscriber has become greater. So, too, the investment in the switchboard becomes greater with the growth of the system. A small switchboard for a hundred subscribers can be installed for about $4 a subscriber, while for a thousand subscribers such a board might easily cost $20 for each subscriber.

"Similar conditions exist with regard to the work of operating the switchboard. The farmers at first do not consider the fact that where there were 20 subscribers and each one could talk to but 19 others, the daily number of calls from each subscriber was small. When the number increased to 300, each subscriber could reach 299 others, so that the demand for telephone calls became greater. The result was that with a small number of subscribers the average farmer would resort to the telephone three times a day. This increased number of calls would mean, of course, that an operator could attend to fewer lines than had formerly been the case. With 20 subscribers, each of whom gave but three calls a day, there would be but 60 calls, so that the operator would have a great deal of spare time, and would not need to stay at the switchboard, but could go to it when the bell rang. With 300 subscribers, and an average of 10 calls a day for each subscriber, the number of calls daily would be 3000. If these calls were distributed equally over the entire day, they could still be handled by one girl without difficulty if she gave her entire time, but telephone calls, even in rural districts, are not so distributed. The morning is apt to be a busy time on the farm lines, when business is being transacted with the adjoining town, plans made with neighbors, and orders given of one kind and another. A practical lull then ensues during the major part of the day, followed by a sudden rush of business about supper time, when the telephone visiting begins and the members of the farm-line telephone associations discuss all the events of the day and happenings past, present, and to come, and make appointments for business and for pleasure. During this time the farmers' telephone board is a very busy place, so that the number of patrons a single operator can attend to is smaller, and consequently more operators must be employed to handle the calls. As the number of subscribers and of calls increases, this demand upon

the operator becomes such that each must be given fewer and fewer lines to attend, especially if their lines are frequently used, so that where one girl might in the early stages of telephone development easily attend to 100 or even 150 lines, a point is reached where a girl may have all that she can possibly do to satisfy 60 subscribers.

"These facts make it apparent that as a telephone system grows the cost grows likewise, and all through the country the farmers have found themselves obliged, in order to keep up their plant and furnish the kind of service which they feel they want, to increase their assessments in the case of mutual association, or to raise their rates in the case of the incorporated companies. The one thing which the farmer has often failed to see is that with this increase in cost has come a great increase in the value of the service. When he was able to reach only a dozen neighbors, and was not connected with any village, the service was of value to him, but still not of great value. After he was connected to the nearest village exchange, and was able to reach 300 subscribers, the service became immensely more valuable, and this service he still obtained for a minimum cost. As the country filled up and the number of people connected with his telephone system increased up to the thousands, while the cost to him may have increased a few dollars a year, still the increase in the value of the service which resulted from the fact that it reached so many more persons was many times greater than the small additional expenditure required of him. In actual dollars and cents the additional profits which the farmer, in selling his products, may make on a single transaction through having the facilities of quick communication with the trading centers would in many cases suffice to pay the cost of a telephone for his entire lifetime."

But a relatively short time ago the telephone was only for the business man. Its cost was prohibitive to the farmer. No line passed his door, or if one did the rental fee would have been so great as to make its use unprofitable for him. But as the importance of the telephone came to be better appreciated the farmer began to investigate. He learned that the cost of the telephones themselves was not great and that the construction of the line was not such a difficult and mysterious operation as he had supposed. A few men joined together to connect their farms or places of business. Soon others wished to unite with them, and so the undertaking grew. The development of independent farmers' lines has been almost marvelous. A system started as a small neighborhood affair would spread and grow, taking in more and more farms, touching more and more towns, bringing in business men and physicians, establishing exchanges and covering county after county with its wires.

GROWTH AND EXTENT OF RURAL TELEPHONE DEVELOPMENT IN THE UNITED STATES.

The development of the rural telephone has been phenomenal, almost equal in this respect to the development of rural free delivery of mail. Just when the first rural telephone line was established is not known, but it is substantially correct to say that the whole service is a development of the past twenty-five years.

The following data furnished by the chief statistician for the American Telephone and Telegraph Company shows the number of rural telephones in the United States at five different periods since 1907:

1907 --------- 1,462,800
1912 --------- 2,279,800
1917 --------- 2,787,500
1920 --------- 3,156,900

These figures are for rural telephones located in farm houses and served by the so-called "farmers' lines." The table should be increased by approximately 42% if telephones located in towns and villages of 2500 and less were to be counted as "rural telephones."

It will be noted that these figures for 1920 are about 500,000 greater than those given by the Census reports for that year, the latter being 2,498,035 telephones. The census reports, however, is for the number of rural homes having telephones, while the above table gives the actual number of telephones in use, including homes that have more than one telephone, of which there are several.

United States Technical Bulletin #40, page 67, issued in 1925, says:

"A rough estimate places the number of rural telephone companies at 40,000. These companies are serving about 2,000,000 farmers. Some of the farmers' companies are operating on a profit basis, but it is believed that the vast majority are maintained chiefly as service institutions on a cost-of-service basis."

There were in 1920 about 13,500,000 telephones in the United States, about 2,500,000 of which were on farms; that is, somewhat less than 20% of all telephones were on farms as compared with 48.6% of our population which was rural.

Figures of the 1920 Census (the latest available) show that 38.9% of all farms in the United States (including tenant farms), or approximately 2 farm families out of five, have telephones. This ratio varies greatly according to locality. In Table XLI is given the percentage of farms in each state that have telephones, these being arranged from the highest to the lowest.

It will be seen that in Iowa 87 out of every 100 farmers have this modern convenience while in South Carolina less than 6 per 100 have it.

PERCENTAGE OF FARMS HAVING TELEPHONES AND NUMBER OF TELEPHONES ON FARMS 1920.

Table XLI. &

Rank	State	% farms having telephones	No. farms having telephones.	Rank	State.	% farms having telephones	No. farms having telephones
1.	Iowa	86.1	183,852	25.	Colorado	36.7	22,022
2.	Kansas	77.9	128,753	26.	Nevada	35.5	1,122
3.	Nebraska	76.4	95,050	27.	Idaho	32.9	13,837
4.	Illinois	73.2	173,572	28.	Texas	32.2	140,234
5.	Indiana	66.4	136,140	29.	California	31.7	37,309
6.	Missouri	62.2	163,543	30.	N. Jersey	31.9	9,484
7.	Ohio	62.1	159,478	31.	Wyoming	28.3	4,449
8.	Minnesota	62.0	110,568	32.	Delaware	27.2	2,763
9.	S. Dakota	59.4	44,327	33.	Kentucky	27.0	73,145
10.	Wisconsin	59.1	111,798	34.	Maryland	24.5	11,755
11.	Vermont	57.6	16,752	35.	Utah	24.5	6,295
12.	Connecticut	51.8	11,738	36.	Arkansas	22.7	52,869
13.	Massachusetts	51.7	16,537	37.	Tennessee*	22.5	56,880
14.	Oregon	50.5	25,351	38.	Virginia	18.0	33,482
15.	Michigan	49.8	97,874	39.	Montana	17.0	9,781
16.	N. Hampshire	49.5	10,166	40.	Arizona	16.4	1,638
17.	Maine	49.0	23,632	41.	Alabama	15.0	38,407
18.	New York	47.6	91,973	42.	N. Carolina	12.2	33,029
19.	N. Dakota	46.8	36,349	43.	N. Mexico	11.3	3,359
20.	Pennsylvania	43.5	87,887	44.	Mississippi	10.4	28,260
21.	W. Virginia	43.3	37,789	45.	Georgia	9.6	29,861
22.	Washington	42.2	27,952	46.	Florida	8.4	4,524
23.	Rhode Island	41.3	1,685	47.	Louisiana	6.3	8,599
24.	Oklahoma	37.3	71,613	48.	S. Carolina	5.7	10,943
	Total	1346.7	1,864,379		Total	507.9	634,047
	Average	56.1	77,682		Average	21.7	26,419
	Ratio	72.6	64.6		Ratio	27.4	25.4
					U.S. Total	1854.6	2,498,426
					" Ave.	38.9	52,051

Tennessee does not make an enviable showing in this respect, when compared with all the states of the Union, ranking 37th from the top with 22.5%. When compared with the eleven Southern states, however, Tennessee makes a fine showing, and is found to be exceeded by only two of them, namely Kentucky with 27% and Arkansas with 22.7% of all farmers having telephones.

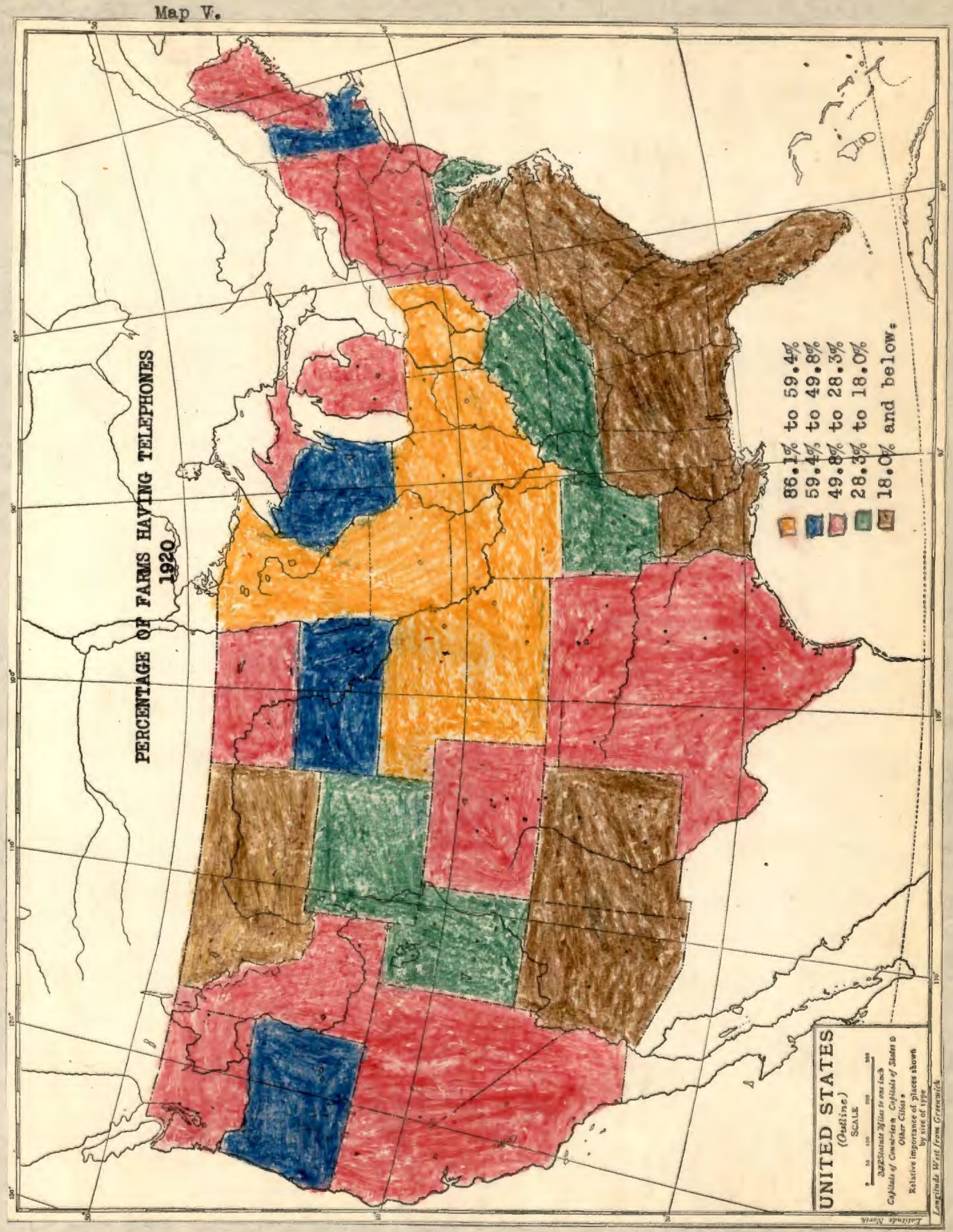
It is very noticeable that the Southern states are all low in this respect, none of them ranking above 33rd. Except for New Mexico, Arizona and Montana they practically monopolize the rear of the procession. This lack of rural telephone service in the South is possibly due to some extent to the nature of land tenure, a considerable proportion of the farms being operated by tenants on short term contracts. Few Southern landlords have felt enough need of telephone connection with their tenants to install telephones in their tenant houses, and the tenants themselves hesitate to do so since they do not feel that they can afford to build lines only to leave them.

Another important factor in reducing the percentage of farmers in the Southern states who have telephones is the large proportion of farms operated by negroes. A much smaller percentage of negroes than of whites have telephones in a given area. Hence, in regions where negro farmers and tenants make up a large part of the population it is difficult to get enough interested patrons in a community to make a copperative telephone a success.

It will be observed that in 14 of the states more than half of the farmers (including tenants) have telephones, while there are 23 states in which over 40% of farmers are so provided. On the other hand, only four states have a percentage of less than 10%.

Turning now from the percentage to the number of telephones on farms, we find that Tennessee, with 56,880 telephones, makes a better showing. Only 15 states rank ahead of Tennessee in this respect, and of these only

Map V.


PERCENTAGE OF FARMS HAVING TELEPHONES
1920
86.1% to 59.4%
59.4% to 49.8%
49.8% to 28.3%
28.3% to 18.0%
18.0% and below.
UNITED STATES
(Outline)
SCALE
Capitals of Coast-tier States
Other Cities
Relative importance of places shown by size of type
Latitude North
Longitude West from Greenwich

one is a Southern state, that being Kentucky with 73,145 telephones on farms.

There is considerable concentration of telephones in some parts of the United States while other regions are very inadequately supplied. The first 24 states average 56.1% of their farmers with telephones while the last 24 states average only 21.7%. The ratio of these two figures is as 72.6 to 27.4. For this reason the problem of those who want rural telephone service will differ in various parts of the country according to the relative development of the telephone service in their localities. Thus in the Corn Belt, as the accompanying map shows, there is but little need for the formation of new companies, for in this section the country districts are already well covered. Hence the farmers without telephones should be interested in how they can best connect with existing systems, rather than in the formation of new companies; and the chief concern of those who are managing established lines will be that of improvement rather than making large extensions. But in the South and in some of the Mountain states, on the other hand, comparatively little has as yet been done toward establishing a comprehensive rural service, and there is great need for the formation of hundreds of new cooperative systems on an efficient and permanent basis.

The problem of equipping Southern farms with telephones is much more difficult than in some other sections of the country because of our large negro ratios, the land tenure system in vogue, the smallness of our farms, and the comparative poverty of the rural population in many sections of the South. This situation, however, does not prevent the farm people from wanting telephones, nor does it alter the fact that such a modern convenience is highly desirable for each community as a socializing influence. Hence extension agencies, and others in position to render aid, should not lose heart, but should recognize this as a vital rural need and do all in their power to improve the situation.

The number of all telephones per 100 population in 1926 in different countries is shown below:

United States	14.8
Canada	12.79
Germany	4.1
Great Britain and Northern Ireland	3.0

The above data shows the lead of the United States in this form of communication among the leading countries of the world. Of course many sections of the globe have practically no telephones, and even in France telephones are very rare, and those available are extremely inefficient.

In this connection it is interesting to note that the United States is also far in the lead in other forms of rapid communication, the automobile and the motor truck.

PRESENT STATUS OF FARMERS' COOPERATIVE TELEPHONES IN TENNESSEE.

Table XLII shows the number of farmers in each county of Tennessee who had telephones in 1920. Data on this point were not secured in connection with the 1925 agricultural census, hence these are the latest available figures. These are from a special tabulation of census data which we secured from the Census Bureau and have never been published before.

In Table XLII we have taken these data and the number of farms in each county and from them calculated the percentage of farmers having telephones in different sections of Tennessee. Following this we present a map showing the parts of the state in which the largest percentage of farmers have telephones.

Turning now to table XLII we first note that 56,880 farmers in Tennessee have telephones. This is an average of 599 per county. Gibson County leads

NUMBER FARMS HAVING TELEPHONES AND PERCENTAGE FARMS HAVING TELEPHONES 1920.

Table XLII

Rank	County	No. phones on farms.	Per Cent of Farms.	Rank	County	No. phones on farms.	Per Cent of Farms.	Rank	County	No. phones on farms.	Per Cent of Farms.
1.	Gibson	2874	43.6	32.	Williamson	667	19.9	63.	Moore	287	33.9
2.	Weakley	2607	51.6	33.	Lawrence	655	18.2	64.	Grainger	281	12.5
3.	Wilson	1814	43.9	34.	Union	645	31.3	65.	Loudon	275	19.7
4.	Greene	1813	34.1	35.	Cannon	642	32.2	66.	Humphreys	257	14.2
5.	Carroll	1760	42.5	36.	Robertson	602	15.0	67.	Carter	243	8.9
6.	Henderson	1662	50.5	37.	Hardin	599	20.6	68.	Lauderdale	240	7.0
7.	Sumner	1558	34.0	38.	Jefferson	596	27.0	69.	Hamblen	237	15.2
8.	Henry	1462	34.1	39.	Hardeman	595	16.8	70.	Hamilton	229	9.2
9.	Obion	1443	42.7	40.	Franklin	587	26.3	71.	Fayette	212	3.6
10.	Smith	1335	45.9	41.	Crockett	575	18.7	72.	Cocke	208	7.4
11.	Knox	1235	31.1	42.	Clay	555	34.6	73.	Campbell	199	10.5
12.	Rutherford	1224	23.3	43.	Claiborne	548	18.1	74.	Dickson	193	7.6
13.	Macon	1204	43.9	44.	White	548	27.1	75.	Hancock	187	10.3
14.	McNairy	1204	36.9	45.	Davidson	522	17.1	76.	Johnson	183	10.9
15.	Bedford	1041	31.2	46.	Blount	498	19.1	77.	Marion	148	14.3
16.	DeKalb	954	34.2	47.	Benton	492	24.8	78.	Bledsoe	140	13.2
17.	Jackson	927	38.6	48.	Coffee	486	21.0	79.	Cheatham	136	9.4
18.	Sullivan	877	26.5	49.	Trousdale	440	50.2	80.	Wayne	136	8.2
19.	Sevier	861	25.0	50.	Stewart	438	16.8	81.	Rhea	132	11.0
20.	Overton	837	30.8	51.	Montgomery	422	10.2	82.	Fentress	125	10.3
21.	Lincoln	805	18.4	52.	McMinn	379	14.3	83.	Lake	125	14.7
22.	Washington	786	27.4	53.	Haywood	375	8.6	84.	Roane	123	7.3
23.	Maury	775	20.8	54.	Hickman	372	19.3	85.	Morgan	122	9.8
24.	Warren	763	27.7	55.	Tipton	372	7.1	86.	Sequatchie	109	32.2
25.	Putnam	747	25.0	56.	Bradley	367	20.0	87.	Grundy	97	17.2
26.	Decatur	747	41.2	57.	Anderson	354	21.1	88.	Meigs	88	9.4
27.	Dyer	737	18.8	58.	Pickett	350	37.4	89.	Polk	79	8.3
28.	Marshall	694	27.1	59.	Perry	349	28.3	90.	Cumberland	69	5.4
29.	Giles	689	13.0	60.	Shelby	341	4.2	91.	Van Buren	60	13.9
30.	Madison	683	15.3	61.	Hawkins	336	10.1	92.	Lewis	56	10.4
31.	Chester	675	40.5	62.	Monroe	293	11.8	93.	Houston	46	6.4
								94.	Scott	35	2.6
								95.	Unicoi	30	3.7
	total 66	38,793	1019.6		Total	15,000	647.2		Total	5087	378.6
	Average	1187	32.9		Average	484	20.9		Average	154	11.5
	Ratio	64.7	49.8		Ratio	26.4	31.6		Ratio	8.9	18.6

State Total	56,880
Ave.	599
	22.5

all other counties in the state in this respect with 2874 farmers with telephones, while Unicoi brings up the rear with only 30.

It is interesting to note that there is considerable concentration of telephones in certain counties, 64.7% of all rural telephones being found in only 31 counties or in less than 33% of the counties; the next third of the counties have 26.4% of the rural telephones, while the last 33 counties have only 8.9% of the state's total number. In other words, the first 31 counties have 36,793 rural telephones while the last 33 counties have only 5,087.

Let us turn now to Table XLIII which ranks the counties of Tennessee by the percentage of farmers having telephones. We find here that 22.5% of all farmers in the state have telephones, and that Weakley County is the leading county in this respect with 51.6%. From that figure the percentage declines until Scott is reached with only 2.6%. We note that the leading 31 counties average 36.8%, the next 31 counties average 19.6%, while in the last 33 counties only an average of 9% of the farmers have telephones. There are 11 counties in which over 40% of the farmers have telephones, and on the other hand 19 counties in which less than 10% have this modern convenience.

In making Map V it was observed that the first sixteen counties, in percentage of farmers having telephones, fall into two groups. One group of eight adjoining counties is located in the northeastern portion of West Tennessee, while the other group of eight adjoining counties are on the northeastern part of the Highland Rim and of the Central Basin. As the map progressed the new counties added in most cases adjoined one of these groups, though an occasional county was found to be located in East Tennessee. The figures on the map show the rank of all the counties, from highest to lowest, in percentage of farmers having telephones.

The figures presented above represent the entire number of telephones on farms regardless of whether they are mutually operated by the subscribers

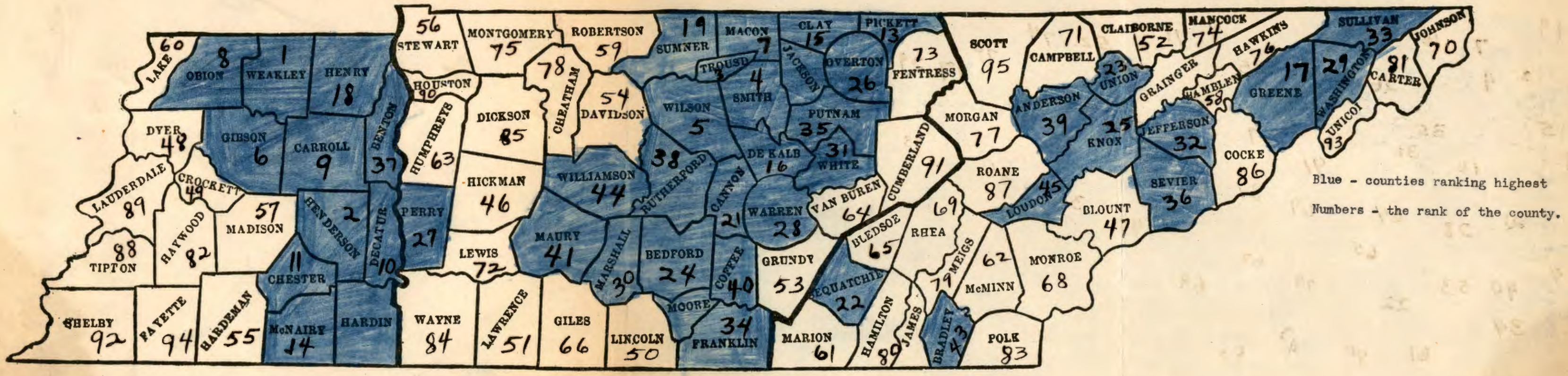
PER CENT OF FARMS HAVING TELEPHONES, AND NUMBER OF FARMS HAVING TELEPHONES IN 1920.

Table No. XLIII.

Rank	County	% of farms having phones 1920	No. farms having phones 1920	Rank	County	% of farms having phones 1920	No. farms having phones 1920	Rank	County	% of farms having phones 1920	No. farms having phones 1920
1.	Weakley	51.6	2607	32.	Jefferson	27.0	596	63.	Humphreys	14.2	257
2.	Henderson	50.5	1662	33.	Sullivan	26.5	877	64.	V. Buren	13.9	60
3.	Trousdale	50.2	440	34.	Franklin	26.3	587	65.	Bledsoe	13.2	140
4.	Smith	45.9	1335	35.	Putnam	25.0	747	66.	Giles	13.0	689
5.	Wilson	43.9	1814	36.	Sevier	25.0	861	67.	Grainger	12.5	281
6.	Gibson	43.6	2874	37.	Benton	24.8	492	68.	Monroe	11.8	293
7.	Macon	43.9	1204	38.	Rutherford	23.3	1224	69.	Rhea	11.0	132
8.	Obion	42.7	1443	39.	Anderson	21.1	354	70.	Johnson	10.9	183
9.	Carroll	42.5	1760	40.	Coffee	21.0	486	71.	Campbell	10.5	199
10.	Decatur	41.2	747	41.	Maury	20.8	775	72.	Lewis	10.4	56
11.	Chester	40.5	675	42.	Hardin	20.6	599	73.	Fentress	10.3	125
12.	Jackson	38.6	927	43.	Bradley	20.0	367	74.	Hancock	10.3	187
13.	Pickett	37.4	350	44.	Williamson	19.9	667	75.	Montgomery	10.2	422
14.	McNairy	36.9	1204	45.	Loudon	19.7	275	76.	Hawkins	10.1	336
15.	Clay	34.6	555	46.	Hickman	19.3	372	77.	Morgan	9.8	122
16.	DeKalb	34.2	954	47.	Blount	19.1	498	78.	Cheatham	9.4	136
17.	Greene	34.1	1813	48.	Dyer	18.8	737	79.	Meigs	9.4	88
18.	Henry	34.1	1462	49.	Crockett	18.7	575	80.	Hamilton	9.2	229
19.	Sumner	34.0	1558	50.	Lincoln	18.4	805	81.	Carter	8.9	243
20.	Moore	33.9	287	51.	Lawrence	18.2	655	82.	Haywood	8.6	375
21.	Cannon	32.2	642	52.	Claiborne	18.1	548	83.	Polk	8.3	79
22.	Sequatchie	32.2	109	53.	Grundy	17.2	97	84.	Wayne	8.2	136
23.	Union	31.3	645	54.	Davidson	17.1	522	85.	Dickson	7.6	193
24.	Bedford	31.2	1041	55.	Hardeman	16.8	595	86.	Cocke	7.4	208
25.	Knox	31.1	1235	56.	Stewart	16.8	438	87.	Roane	7.3	123
26.	Overton	30.8	837	57.	Madison	15.3	683	88.	Tipton	7.1	372
27.	Perry	28.3	349	58.	Hamblen	15.2	237	89.	Lauderdale	7.0	240
28.	Warren	27.7	763	59.	Robertson	15.0	602	90.	Houston	6.4	46
29.	Washington	27.4	786	60.	Lake	14.7	125	91.	Cumberland	5.4	69
30.	Marshall	27.1	694	61.	Marion	14.3	148	92.	Shelby	4.2	341
31.	White	27.1	548	62.	McMinn	14.3	379	93.	Unicoi	3.7	30
								94.	Fayette	3.6	212
								95.	Scott	2.6	35
	Total	1140.7	33320		Total	808.3	15923		Total	296.4	6637
	Average	36.8	1075		Average	19.6	546		Average	9.0	201
	Ratio		58.6		Ratio		29.8		Ratio		11.6
					State Total		56880		State Average	22.5	599

or privately owned. We know from our study of the situation, however, that most such telephones are either purely mutual systems with an exchange in connection, or are mutual farmers' lines leading in to a central exchange. In either case it involves cooperation among the subscribers to secure the service. The rates for a regular commercial telephone in the country is so high as to be considered prohibitive by most farmers of Tennessee, and comparatively few such telephones are found on farms. We may assume, therefore, that these figures represent in general the extent of the development of cooperative telephones in the various counties of the state in 1920.

Map VI Percentage of Farmers Having Telephones 1920



Blue - counties ranking highest

Numbers - the rank of the county.

It is pertinent in this connection to compare the areas showing the largest development of cooperative telephones with the areas in which cooperative insurance is most found, and with the areas in which cooperative

marketing has been developed. A striking contrast is evident. Most of the farmers' mutual telephone companies are in East Tennessee, an area in which neither cooperative telephones nor cooperative marketing have made marked progress. Cooperative marketing, on the other hand, has been done to the largest extent in the southwestern portion of the state (cotton) and in Robertson and Montgomery counties (tobacco), areas which have shown comparatively little development of these other two forms of cooperative effort.

We have attempted to correlate the development of cooperative telephones with some economic favor but have been unable to find such a relationship without a great many exceptions.

For example, some of the rich land areas are high in percentage of farmers having telephones while some such areas are low; and the same is true of the poor land areas. The counties with large cities and towns do not in general rank high; while some of the most isolated areas rank high and others very low. In general the counties having a large number of negro farmers rank low, but Unicoi and Scott and several other counties ranking very low have an almost 100% white population.

On the other hand our studies have shown that once such a system is placed in successful operation in a community the surrounding communities soon become interested and proceed to establish a similar one. In this way the movement spreads rather rapidly until in many cases several adjoining counties are fairly well covered with Home telephone systems, many or all the exchanges connected with each other, and giving free connections between exchanges.

From the way this movement has developed three things appear to be evident:

(1) The rural people are very anxious for a good telephone system at a

cured by the residents of a nearby community they are quick to attempt a similar system in their own community. (3) Such being the case, it is very important to rural welfare that the very best methods be used both in the organization and in the management of such new systems. If this is done the communities which emulate this first one are also much more likely to succeed.

Extension workers, and all other agencies interested in rural social improvement might well give more time and attention to getting these cooperative organizations well started, than they have done in the past.

In many sections of Tennessee farmers have availed themselves of the benefits to be derived from telephone service. Other sections are making efforts to obtain these benefits. The following table taken from the 1920 Census, is the latest available data and indicates the extent to which the farmers of Tennessee use the telephone in comparison with the use of motor vehicles, running water and modern lighting facilities.

	No. farms reporting	% of all farmers reporting
Telephones	56,880	22.5
Automobiles	22,446	8.9
Water piped into house	4,890	1.9
Gas or electric lights	4,554	1.8
Tractors	1,796	0.7
Motor trucks	1,362	0.5

It will be observed from the above table that 22.5% of the farmers of Tennessee had telephones in their homes in 1920; 8.9 per cent had autos; 1.9 had running water and only 1.8 had modern lights. This simply means that approximately twelve times as many farmers had telephones as had either lights or running water and about 2 1/2 times as many had telephones as made use of autos.

Some idea of the magnitude and importance of the telephone industry in Tennessee may be gathered from the facts given below which were taken from the 1922 Telephone Census of the United States Department of Commerce:

Miles of wire ---------- 399,932

Number of telephones ------ 171,413

Telephones per 1000 pop. -- 72

No. of originating calls -- 497,000,000

EXTENT OF DEVELOPMENT OF SMALL RURAL TELEPHONE SYSTEMS IN TENNESSEE.

An effort was made to secure a list of cooperative telephones in Tennessee from the State Railroad and Public Utilities Commission. We were informed, however, that "the Commission does not have any information of any kind regarding the mutual or home telephones in this state."

However, Mr. E. H. Qualls, Assistant Engineer for the Commission, took the matter up with the manager of the Southern Bell System for us and secured from him data regarding each mutual telephone company having connection with the Bell System in Tennessee. A list of these companies, together with the postoffice address, and the number of telephones in each system follows:

LIST OF MUTUAL TELEPHONE COMPANIES IN THE STATE OF TENNESSEE WITH DIRECT CONNECTION TO SOUTHERN BELL TEL. & TEL. COMPANY.

Name of Company.	Address	Number Stations.
Alamo Home Telephone Co.	Bells	200
Alto Telephone Co.	Alto	40
Awalt Telephone Co.	Awalt	50
Beech Grove Telephone co.*	Beech Grove	145
Belfast Telephone Co.	Belfast	115
Bethpage Telephone Co.	Bethpage	115

*Companies under control and supervision of the Railroad and Public Utilities Commission

(continued)

LIST OF MUTUAL TELEPHONE COMPANIES IN THE STATE OF TENNESSEE WITH DIRECT CONNECTION TO SOUTHERN BELL TEL. & TEL. COMPANY.

(continued)

Name of Company	Address	Number Stations.
Big Springs Telephone Co.	Christiana	100
Bonicord Telephone Co.	Bonicord	100
Boonshill Telephone Co.	Boonshill	90
Bradyville Telephone Co.	Bradyville	200
Brighton Telephone Co.	Brighton	85
Campbellsville Telephone Co.	Campbellsville	40
Carpenter, L. C.	Tate	75
Centerville Telephone Co. (Wilson County)	Centerville	137
Christiana Telephone Co.	Christiana	100
Claiborne Telephone Co.	New Tazewell	175
College Grove Telephone Co.	College Grove	143
Concord Telephone Co.	Concord	89
Cottage Grove Telephone Co.	Cottage Grove	158
Cowan Telephone Co. *	Cowan	130
Crystal Telephone Co.	Crystal	30
Crockett County Tel. Co.	Friendship	160
Defeated Home Tel. Co.	Defeated	35
Delphas Telephone Co.	Roellen	156
Delrose Telephone Co.	Delrose	55
Difficult Telephone Co.	Difficult	70
Elbridge Telephone Co.	Elbridge	110
Enville Telephone Co.	Enville	75
Estill Springs Telephone Co.	Estill Springs	65
Ethridge Telephone Co.	Ethridge	130
Farmers' Exchange Telephone Co.	Vonore	57
Farmers' Telephone Co.	Nolensville	160
Farmers' Telephone Co.	Trinity	68
Finger Telephone Co.	Finger	150
Flat Creek Mutual Tel. Co.	Flat Creek	185
Fosterville Telephone Co.	Fosterville	85
Frankewing Telephone Co.	Frankewing	45
Georgetown Telephone Co.	Georgetown	42
Gibbs, O. S.	Harbinsons X-Roads	56
Gladesville Telephone Co.	Gladesville	100
Gordonsville Telephone Co.	Gordonsville	60
Graysville Telephone Co.	Graysville	150
Handleyton Exchange	Handleyton	45
Harris Telephone Co.	Harris	18
Hendersonville Telephone Co.	Hendersonville	125
Henry County Telephone Co.	Nobles	72
Henry Telephone Co.	Henry	102
Hickman Home Telephone Co.	Hickman	330
Hillsboro, Telephone Co.*	Hillsboro	130

*Companies under control and supervision of the Railroad and Public Utilities Commission

(continued)

LIST OF MUTUAL TELEPHONE COMPANIES IN THE STATE OF TENNESSEE

WITH DIRECT CONNECTION TO SOUTHERN BELL TEL. & TEL. COMPANY.

(continued)

Name of Company	Address	Number Stations.
Home Mutual Links Exchange	Links	110
Home Telephone Co. (Erin)	Whorley	50
Hornbeak Telephone Co.	Hornbeak	50
Humphreys County Telephone Co.*	Plant	100
Huntland Telephone Co.*	Huntland	100
India Telephone Co.	India	40
Inter-County Telephone Co.	Englewood	100
" " " "	Tellico Plains	55
Joslin, C. L.	Linton	20
Laguardo Telephone Co.	Laguardo	70
LaVergne Telephone Co.	LaVergne	60
Leapwood Telephone Co.	Leapwood	
Leoma Mockerson Tel. Co.	Leoma	250
Little Lot Telephone Co.	Little Lot	70
Loretto Telephone Company	Loretto	160
Maury City Telephone Co.	Maury City	280
McBride, J. F.	Lexington	
Medon Telephone Co.	Medon	48
Mercer Home Telephone Co.	Mercer	138
Milton Telephone Co.	Milton	144
Minor Hill Telephone Co.	Minor Hill	138
Mohawk Telephone Co.	Mohawk	15
Montezuma Telephone Co.	Montezuma	180
Morris Chapel Telephone Co.	Morris Chapel	50
Mutual Home Telephone Co.	Castalian Springs	
New Middleton Telephone Co.	New Middleton	125
Norene Telephone Co.	Norene	150
Piney Telephone Co.	Piney	42
Pleasant Grove Telephone Co.	Pleasant Grove	80
Powell Telephone Co.	Powell's Station	69
Pressmen's Home Telephone Co.	Pressmen's Home	21
Public Service Co. *	Nicta	71
Puryear Telephone Co.	Puryear	160
Porter Ray Exchange	Clayton	63
Readyville Mutual Tel. Co.	Readyville	86
Rockvale Home Mutual Co.	Rockvale	101
Rocky Hill Telephone Co.	Rocky Hill	28 **
Saxton, J. B.	Bethel Springs	100
Shady Grove Telephone Co.	Shady Grove	28
Speedwell Telephone Co.	Speedwell	200
Springville Telephone Co.	Springville	202

* Companies under control and supervision of the Railroad and Public Utilities Commission.

** Unable to locate these on the map.

(continued)

LIST OF MUTUAL TELEPHONE COMPANIES IN THE STATE OF TENNESSEE WITH DIRECT CONNECTION TO SOUTHERN BELL TEL. & TEL. COMPANY.

(continued)

Name of Company	Address	Number Stations.
Statesville Telephone Co.	Statesville	80
Sulphura Telephone Co.	Gallatin RFD #4	
Tennessee River Telephone Co.	Strobel	50 **
Theta Telephone Co.	Theta	18
Unionville Telephone Co.	Chapel Hill	136
Walter Hill Telephone Co.	Walter Hill	60
Wellwood Telephone Co.	Wellwood	150
Whitlock Telephone Co.	Whitlock	56
Woodland Mills Telephone Co.	Woodland Mills	110

** Unable to locate these on the map.

Mr. Qualls, in his communication mentioned above, added: "If you desire to secure the names of other mutual companies in the state I would suggest that you write the following telephone companies and they will be glad to furnish you with a list similar to the one that was furnished by the Southern Bell: Christian Todd Telephone Company, Hopkinsville, Kentucky; Gainesboro Telephone Company, Cookeville, Tennessee; Inter-Mountain Telephone Company, Bristol, Tennessee; Peoples' Telephone and Telegraph Company, Knoxville, Tennessee; Weakley County Telephone Company, Martin, Tennessee.

"These companies will have only a small number of mutual companies connected with their lines."

Accordingly we directed the following letter to each of the companies mentioned above:

> We are informed by Mr. Turnbull that you would furnish us with some information in regard to the mutual or home telephone lines in Tennessee which connect with your company. Mr. Turnbull has furnished us with this information for the Southern Bell Telephone and Telegraph Company and states that he feels sure that you will be glad to give us a similar list in connection with your company.
>
> The data which we desire is as follows:
>
> (1) A list of the names and addresses of mutual telephone companies in Tennessee which connect with your company, together with the number of stations on each line.

(2) A list of names and addresses of commercial telephone companies in Tennessee which connect with your company, together with the number of stations on each line.

We are making a little study of the telephone situation in different sections of Tennessee and your cooperation in sending us these two lists will be very much appreciated.

In reply to this request the Gainesboro Telephone Company sent us the following data on the mutual and commercial companies connecting with their lines:

Gainesboro Telephone Company Cookeville, Tennessee.

Name of Company	Manager	Address	No. Telephones
Algood Home Telephone Co.(c)	Tip Webb	Algood, Tenn.	120
Alexandria Home Tel. Co. (c)	U. B. Adamson	Alexandria	280
Byrdstown Home Tel. Co. (c)	Dr. Gross	Byrdstown	400
Baxter Home Tel. Co	Van J. Munnally	Baxter	160
Chestnut Mound Home Telephone Company	McKinley Carter	Chestnut Mound	152
Celina Home Tel. Co. ** (c)	W. F. Brown	Celina	
Dowelltown Home Tel. Co. (c)	C. E. Martin	Dowelltown	210
Dibrell Home Tel. Co. (c)	Alfred Hancock	Dibrell	90
Difficult Home Tel. Co.	Lawrence Kemp	Difficult	75
Defeated Home Tel. Co.	Ike Cardwell	Defeated	130
Doe Creek Home Tel. Co. (c)	H. M. Hailo	Gainesboro	160
Dycus Home Tel. Co.	Hatten Richerson	Dycus	118
Flynns Lick Home Tel. Co.	Clay Mosley	Flynns Lick	62
Granville Home Tel. Co.	T. B. Shirley	Granville	100
Hickman Home Tel. Co.	W. H. Gwaltney	Hickman	365
Jackson Co. Home Tel. Co.	Poe Wilson	Rough Point	80
Livingston Home Tel. Co.	Sid Almonrode	Livingston	285
Liberty Home Tel. Co. (c)	C. Y. Givens	Liberty	135
Sparta Home Tel. Co.	Mark Hudgens	Sparta	256
Smithville Home Tel. Co.(c)	John Young	Smithville	265
Short Mountain Home Tel. Co.	H. B. Freeman	Short Mountain	125
Whitleyville Home Tel. Co.	Byron Hale	Whitleyville	70

** Celina is the only commercial company in the list.

(c) Connect with Gainesboro Telephone Company.

The Weakley County Telephone Company reported that they have direct connection with only two mutual companies, these being:

Ralston Rural Telephone Company -------- 70 stations.
Hyndsver Rural Telephone Company ------- 56 stations.

The Christian Todd Telephone Company replied as follows: "We have just completed a toll line to Big Rock, Tennessee. We connect with the Big Rock Telephone Company, O. L. Griffin, Secretary and Treasurer, on a toll basis. They have at the present time 69 stations connected with their switchboard. This is a mutual company.

"Within the next week we will complete a toll line to Bumpus Mills, Tennessee, where we will connect with the State Line Telephone Company, W. C. Knott, Secretary and Treasurer. This mutual company has something like 150 stations connected with their switchboard.

"We are negotiating a contract with the Model Telephone Company, L. G. Acree, President, Model, Tennessee, to connect their mutual system on a toll basis. They operate two switchboards, one at Model and the other at Happy Hollow, Tennessee. The date of connection is rather indefinite, as they are very slow about extending their line to Dover. It will probably be a month or two before connection is made.

"We have no other connecting companies in our Tennessee territory."

No reply was received from the Inter-Mountain Telephone Company, Bristol, Tennessee, as to the mutual companies connecting with their system; and a second request for information was likewise disregarded.

The Peoples Telephone and Telegraph Company, Knoxville, Tennessee, also failed to reply, but we have secured the following from their latest Directory, dated November 1927:

Name of Exchange	Address	No. Stations.
Corryton Exchange	Corryton	54
Hall's Cross Roads Exchange	Hall's Cross Roads	118
Harbison's Cross Roads Exch.	Corryton	65
Peaks and Edgemore Exchange	Heiskell, R. #4	28
Raccoon Valley Exchange	Powell's Station, R. #3	72
Riverdale Exchange	Knoxville, R. #11	41
Shook's Exchange	Neubert, Tenn. R. #1	40
Thorn Grove Exchange	Straw Plains	35

In addition to the above lists of companies, most of which are mutuals, there is a considerable number of small rural commercial telephone companies in different sections of Tennessee. Many of the patrons of these lines are farmers, in some cases a very large percentage of the patrons being engaged in that occupation and living in rural districts. The Southern Bell has supplied us with the following list of such companies having direct connection with their lines, as of November 1927:

LIST OF COMMERCIAL TELEPHONE COMPANIES IN STATE OF TENNESSEE WITH DIRECT CONNECTION TO SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY.

Name of Company	Address	Number of Stations.
Atwood Telephone Co.	Atwood	
Blue Bell Telephone Co.	Iron City	50
" " " "	St. Joseph	130
Bon Air Chemical Co.	Lyles	15
Bradford Home Telephone Co.	Bradford	230
Cades Home Telephone Co.	Cades	160
Center Point Telephone Co.	Sardis	260
Clifton Telephone Co.	Clifton	125
Collierville Telephone Co.	Collierville	215
Crockett Mills Telephone Co.	Crockett Mills	125
Dixie Telephone Co. **	Tracy City	250
Dyer Home Telephone Co.**	Dyer	
Erin Telephone Co. **	Erin	
Green, John T. **	Munford	
Greenback Telephone Co.	Greenback	58
Hiwassee Telephone Co.	Benton	95
Idlewild Home Telephone Co.	Idlewild	
Junction City Telephone Co.	Bruceton	30
Kingston Springs Mutual	Kingston Springs	50
Knoxville Power Co.	Calderwood	20
LaFayette Home Telephone Co.	LaFayette	225
Linden Telephone Company **	Linden	100
Lobelville Telephone Co.	Lobelville	100
Lowery, W. M.	Ocoee	50
Macon Telephone Co.	Macon	10
Mason Telephone Co.	Mason	75
Mason Hall Telephone Co.	Mason Hall	280
McLemoresville Telephone Co.	McLemoresville	40

** Companies under control and supervision of the Railroad and Public Utilities Commission.

(continued)

LIST OF COMMERCIAL TELEPHONE COMPANIES IN STATE OF TENNESSEE WITH DIRECT CONNECTION TO SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY.
(continued)

Name of Company	Address	Number of Stations.
Moscow Telephone Co.	Moscow	52
Mt. Juliet Telephone Co.	Mt. Juliet	200
New Home Telephone Co.	Oltewah	100
New Meigs Telephone Co.	Pinhook	100
Oakland Exchange Telephone Co.	Oakland	45
Parsons Telephone Co.	Parsons	245
Peoples Telephone Co.	Toone	75
Red Boiling Springs Tel. Co.	Red Boiling Springs	160
Rosemark Telephone Co.	Rosemark	16
Rutherford Telephone Co.	Rutherford	150
Rutledge Telephone Co. **	Rutledge	130
Sequatchie Valley Mutual	Dunlap	175
Scotts Hill Telephone Co.	Scotts Hill	314
Soddy Telephone Co.	Soddy	185
Stanton Telephone Co.	Stanton	140
Summertown Telephone Co.	Summertown	45
Treadway Telephone Co.	Treadway	
Trezevant Telephone Co.	Trezevant	190
Trimble Telephone Co.	Trimble	150
Tulu Telephone Co.	Tulu	
Waynesboro Telephone Co. **	Waynesboro	100
Weakley County Telephone Co. **	Martin	700
Westmoreland Telephone Co.	Westmoreland	100
Wildersville Telephone Co.	Wildersville	110
Woodbury Telephone Co.	Woodbury	200

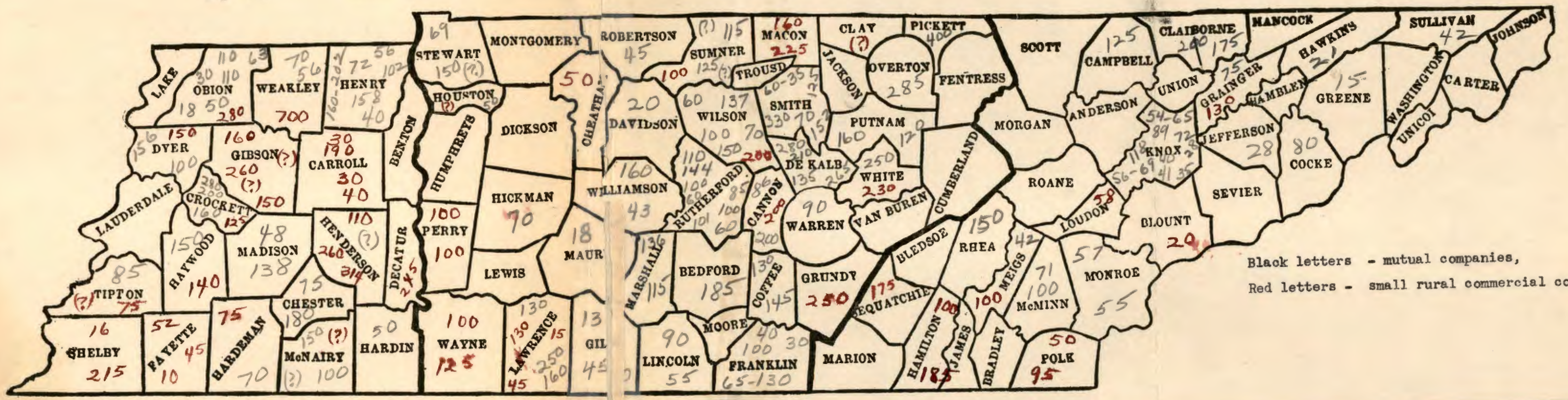
** Companies under control and supervision of the Railroad and Public Utilities Commission.

To show the above telephone situation in graphic form the accompanying map has been prepared. Each number on the map represents a small rural telephone system. This list includes only such companies as have direct connections with one of the larger systems in the state. There are probably quite a number of small systems in different parts of the state that are not shown because of not having such connections; the writer knows personally of two such companies. Neither does this list and map include rural telephone lines operated as a constituent part of one of the large systems; and neither does it include the "Farmers' Lines" which are operated in

connection with the commercial systems over the state.

On this map we have shown the lines that were reported to us as mutuals in black, while small rural companies reported to us as commercial companies are shown in red. The numbers represent the number of telephones on the system in question.

Map VII SMALL RURAL TELEPHONE SYSTEMS (HAVING DIRECT CONNECTION WITH A LARGER COMMERCIAL SYSTEM) Nov. 1927



Black letters - mutual companies,
Red letters - small rural commercial companies.

It is of interest to compare this map with the data showing the total number of telephones on farms in each county in 1920, as shown by the Census of January 1, 1920. The data used on the accompanying map are as of November, 1927, or almost seven years later than the Census data. But we find that in a general way the two maps are similar. This indicates three things:

(1) That this map is probably approximately correct.

(2) That most of the telephones on farms are of the small rural system type.

(3) That the telephone companies which were supplying service in 1920 are to a considerable extent still giving service seven years later. This is a very encouraging sign.

A glance at the map shows that the upper East Tennessee counties are not shown to have many of these systems, but it should be remembered in this connection that we were unable to secure data from the Inter-Mountain Telephone Company of Bristol. This company operates in Sullivan, Washington, Carter, Hawkins, and Green Counties, and we have been informed that there are a number of small rural companies in that area connected with the Inter-Mountain system.

There are also two small mutual companies, the Rocky Hill Company, with 28 subscribers and the Tennessee River Telephone Company with 50 subscribers, that we have been unable to place on the map as their location could not be determined.

In addition to the above small systems, the data on which were furnished by telephone company officials, we learn of 17 other small companies in different parts of the state from the reports of the State Public Utilities Commission. The number of stations in each system is not known to us, but we have in each case given the number of miles of wire operated by the system and the assessed valuation of all property belonging to the company. These two items give a good idea as to the size of the company and the extent of its business. These are apparantly small commercial companies that do not have direct connections with the Bell system or with one of the other larger systems in the state.

OTHER SMALL TELEPHONE COMPANIES IN TENNESSEE Nov., 1926.

Name	County	Mileage	Total Assessed Value
Collins River Telephone Co.	Grundy	75	$1,050
Gibson County Tel. Co.	Gibson	300	8,100
Home Telephone Co. (Erin)	Houston	72	1,440
Independent Telephone Co.		238	3,570
Johnson County Tel. Co.	Johnson	261	7,830
Jackson Home Tel. Co.	Madison	2,188	34,000
James County Tel. Co.	Hamilton	25	500
L. L. McQueen Tel. Co.		68	2,040
Newport Tel. Co.	Cocke	190	5,700
Pleasant Grove Tel. Co.	Cocke or Maury	143	2,002
Rogersville Tel. Co.	Hawkins	110	3,300
Sun Telephone Co.	Madison	480	48,000
Unicoi Telephone Co.	Unicoi	254	13,240
Van Buren Telephone Co.	Van Buren	30	300
Viola Telephone Co.	Warren	107	2,140
Weakley County Tel. Co.	Weakley	356	24,920
Holston Telephone Co.	Sullivan	232	5,800

SURVEY DATA ON FARMERS' TELEPHONES IN FIVE RURAL COUNTIES OF TENNESSEE.

In surveys conducted by Professor B. O. Duggan and others the following information was secured in regard to the rural telephone situation in four counties of Tennessee:

Pickett County. "In the matter of ordinary conveniences the homes were found to be sadly lacking. The telephone, however, was found in 49.3% of the homes visited. All were party lines, and the service was reported as "poor" by 58% of the homes, "fair" by 38%, and "good" by only 3% of those having

telephones.

"The through telephone connection from Byrdtown to Livingston and Albany is poor. This perhaps is due partly to the lack of cooperation of the Bell System with the People's Company of Pickett County but also partly to the inefficient People's organization and equipment. At times it is next impossible to get a message through to a distant point. One member of the survey party tried for several hours to get an important message through to Knoxville but failed utterly." This information was gathered in 1924.

Crockett County. "Thirty per cent of the farm homes are equipped with telephones. Several town homes and a few country homes have individual lines, but most of them are on party lines. Reports given by the communities indicate that for the most part telephone service is quite satisfactory. Only one negro home out of the 374 included in the survey was provided with a telephone." A total of 374 negro homes were included in the survey (and 2353 white homes). These data were secured in 1923.

Monroe County. The survey of this county was made the latter part of 1925. The data relate to 201 homes personally visited and inspected. Of these it was found that only 11, or about 5% had telephones.

Union County. The survey of this county was conducted during the latter part of 1922. "Thirty four per cent of the families have telephones, but the quality of the service is almost uniformly poor, all the telephones being on party lines, with from 3 to 10 telephones to each line." In comparison with the percentage mentioned above, the survey shows that of the 2049 families studied only 9 had water in their homes, and 12 had lighting systems. Thirty three per cent had some openings on their house screened, but very few were completely screened.

Bledsoe County. This survey was conducted during the latter part of 1925 and includes 1260 farm homes. Seven communities were surveyed and it was found that "Three of the seven communities surveyed have no telephones. And the other four communities reported only 16 telephones, and average of only one to each 14 homes. When asked about the kind of service given, most of the families reported "fair" and some "poor". Some homes of the county are more than 10 miles from a telephone or a doctor. Most of the telephones in the county are found in the Sequatchie Valley, more especially in and around Pikeville."

From the above it is seen that there is a very great variation in the extent to which this modern convenience is available, in different areas of the state. Probably the farmers of Bledsoe County are about as well off financially as the farmers of Pickett County and those in Monroe County more able and yet 49.3% of the farm homes in Pickett were found to have telephones while such a convenience is almost never found in Bledsoe and Monroe. Pickett has a well developed cooperative system, while Bledsoe and Monroe have not. This is the reason for the difference.

AGRICULTURAL REGIONS OF CANADA LEAD IN TELEPHONE DEVELOPMENT.

Since many sections of Tennessee, as well as of the entire South, are relatively undeveloped as yet, the experience of Canada in telephone development is of considerable interest. There is considerable similarity between the South and Canada at present as regards the fact that both areas are as a whole undeveloped; some parts of each are almost virgin territory; both are largely agricultural regions; but both now making rapid progress.

The strides made in telephone installation in Canada during the past ten years have been truly remarkable. The number of telephones has increased from 548,421 in 1916 to 1,201,008 in 1926, or by 119% during the

ten years. The value of telephone property and equipment has shown an even greater increase, the percentage being 156%.

The number of telephones per 100 of population in Canada in 1916 was 6.82 and in 1926 it had increased to 12.79, the only country having a higher average being the United States as a whole with 14.8. These averages are based on the total number of telephones of all kinds, including residence, business, public pay station, etc., and the estimated population for 1926. The number of telephones per 100 population in the different Canadian provinces in 1926 is as follows: British Columbia 18.8; Ontario 16.9; Saskatchewan 12.5; Alberta 11.7; Manitoba 11.1; Quebec 9.4; Nova Scotia 7.45; New Brunswick 7.42; Prince Edward Island 5.3.

All of the above progress is a most remarkable showing for a country in which about half of the population is described as rural, living away from developed centers. And one of the most interesting suggestive and encouraging features is that in most cases it is the provinces most essentially agricultural that lead in telephone ownership. This is a very encouraging feature from the standpoint of an agricultural region like the South.

RURAL COOPERATIVE TELEPHONES HAVE PROVEN SUCCESSFUL.

Cooperative telephone systems have proven satisfactory when properly organized and managed. They prove of the greatest convenience and satisfaction to the communities covered, and the cost does not generally even approximate that of the charges made by the established telephone companies.

Some of these systems now cover a considerable area, with connections to the towns of the region. Where this is true the system becomes large enough to render its subscribers practically independent of other systems.

One great advantage of the cooperative telephone over the commercial lines is that is it connected with a far larger percentage of the people of the vicinity. This not only makes it more useful to its subscribers, but

also enables such a company to render a real social service to the poorer people of the rea by placing within their reach a great convenience and socializing influence which they could not otherwise afford.

DIFFERENCES IN TERMINOLOGY IN CONNECTION WITH FARMERS' COOPERATIVE ORGANIZATIONS IN TENNESSEE.

An interesting difference in nomenclature is to be noted among the co-operative organizations in the rural sections of Tennessee. When farmers join together to form a selling organization for their products that organization is spoken of as a "cooperative." But when they form an organization to provide themselves with insurance it is spoken of as a "mutual" insurance organization. And when they bank together to secure telephone service it is spoken of as a "home" telephone company.

Another interesting difference in terminology relates to the last word in the title of the organization. A selling and buying organization is usually spoken of as a "cooperative marketing association," while a farmers' insurance organization or a farmers' telephone organization is almost always referred to as a company; in fact the insurance and telephone organizations use the word company themselves, in their titles.

Just how, and why, and when these differences came to exist we have not been able as yet to determine.

PART II.

ORGANIZATION AND MANAGEMENT OF RURAL COOPERATIVE TELEPHONE COMPANIES.

WHAT CONSTITUTES A FARMERS' COOPERATIVE TELEPHONE SYSTEM?

There are various types of farmers' Mutual telephone companies in Tennessee. Only a brief description of some of the principal kinds will be attempted here.

Perhaps the most simple type of farmers' cooperative telephone system is that in which some neighbors living along a stretch of road decide to establish a means of more rapid communication among themselves and connect their respective homes by means of a single wire strung on poles which they erect. Each farmer buys his own telephone box or instrument to install in his home and practically all labor necessary to get the line in operation is done by the farmers interested working together. Only rarely is it necessary to call in the services of a professional workman as the more technical duties connected with the installation are usually performed by a local party who has shown a special interest in such matters. Money with which to purchase the wire, insulators, brackets, etc. is subscribed equally by the parties to be accommodated.

In the above type of telephone organization there is no switchboard; hence no charge for service. Each party on the line has a stated number of rings to indicate when his house is the one being called. When one party rings another, all the others on the line are supposed not to eavesdrop, ring the phone or otherwise interfere with the line until those using it have finished. When a conversation is concluded, a signal is usually given by a very short part-turn of the ringing crank. Other parties may then get connection with those wanted. Conversation is often limited to three minutes' duration when someone else is wanting to use the line.

Maintenance of the system is effected by each member keeping his own telephone instrument in repair. In addition a certain portion of the line is assigned to the care of each member. He is charged with keeping it

clear of obstructions and in good working order. Sometimes emergency repairs needed such as replacing poles bursted by lightning, or the removal of trees that have fallen across the line, are accomplished through the combined efforts of the entire group.

A small neighborhood affair like the above often spreads rapidly taking in additional farms until it becomes necessary to establish separate lines, thus introducing another type of system described below.

Another type of farmers' cooperative telephone system found in some sections of Tennessee is that in which farmers living in separate neighborhoods and having independent lines such as the one already described, decide to have inter-community service. They may get the village storekeeper to operate a switchboard to which each neighborhood builds one or more party lines. Sometimes a farm home centrally located acts as a "central" office or exchange giving connections in the capacity of a regular switchboard operator at certain hours.

By each telephone holder or patron paying a nominal fee, a fund is provided from which a small salary is paid to the party acting as operator.

As described in the plan already given, each member owns his own telephone and contributes equally in work, material or money to build the lines, establish the switchboard, make connections, etc. A typical example of this type of telephone system and the kind of service it renders together with operating costs, etc. will be given further along in this chapter.

Still a third type of farmers' cooperative telephone system is that such as exists in Knox County, Tennessee. In brief, it is simply a situation in which several local independent farmer-owned organizations scattered throughout the county, each having connection only with its own subscribers, contract with a large centrally located commercial company to

give them connection and service over its lines. It also takes care of those farmers living near enough to build party lines in and connect direct with the Knoxville switchboard.

As was the case in the system previously described, farmers having telephones under this third type of service own and control their respective local exchanges and pay a regular charge for the accommodations furnished them by the Knoxville company.

A map showing the extent of territory covered and the general layout of the above mentioned company will be found on succeeding pages of this study.

A fourth type of rural telephone system that exists in some sections of Tennessee might be termed the privately owned rural system. In this case a single individual may own a switchboard or central exchange and furnish switching service to a number of local rural lines. In other cases, such systems may include the exchanges of several towns. The private concern for rural service is usually centered in a small town with lines branching out into the surrounding country. A fixed fee charge which is often paid quarterly by the farmers being served is the means through which this type of system pays operating costs and is expected to return a profit to the owner.

The pure mutual telephone organization, of which the first two described above are examples, is operated solely for the convenience of its members. All members have a voice in its management and each bears his pro rata share of the expense. The necessary assessments are reduced to a minimum through cooperation. It seems to be well adopted to small country systems of few lines where economy of construction and low operating costs are the main consideration.

STEPS IN ORGANIZING A FARM TELEPHONE LINE.

The first step to take toward promoting a farm telephone line is to talk with one's neighbors and find out their attitude toward such a project. It may be well to call a meeting and have a good speaker present to talk to them. It is important that he be familiar with the particular advantages of the telephone on the farm and capable of interesting his audience.

The telephone equipment companies are interested in the organization of such lines, and if one of these companies is advised of the time and purpose of the meeting they will almost always be able and willing to send a representative to attend. Independent exchange managers have had considerable experience in telephone work, and are often sufficiently interested and able to give valuable information as to how to proceed. They usually take an active interest in the building of rural lines, since they realize that it will be a feeder rather than a competitor of theirs, and hence their advice and cooperation may often prove invaluable. This is especially true after the line is in operation and where trouble occurs that is hard to locate.

A list of names of all those present at this first meeting should be secured, together with the names of all other persons who would probably be interested and desire telephones in their homes, if a line is built. This list should be sent to one of the telephone equipment companies. The company will then be glad to mail to each of them specially prepared literature intended to interest such persons.

As soon as possible the promoters of the line should decide about what they will try to accomplish in the building of the line; how many miles of telephone line will be built; how many subscribers can probably be secured. This information should then be sent to one or more of the telephone equipment companies who will be very glad to make suggestions in regard to it, and to give a detailed estimate of what the entire equipment, including the con-

struction of the line, the instruments, etc. will cost.

When the organizers are thus able to tell their neighbors just what the line will cost and just how much each will have to pay they will find it much easier to interest them and get them ready for action.

If many families decide to have telephones it will be advisable to form a company, in which case the next step is a meeting for organization at which some kind of an agreement is drawn up which will state exactly the obligations imposed upon each subscriber or telephone owner. While it is not possible to give a Constitution and By-Laws which can be used in all conditions, on account of the differing local situations, an outline of one is given below which can be readily modified to suit local conditions. Probably it would be well also to consult a lawyer to see that the necessary permits (of which model forms are given below) are properly secured and all local regulations observed.

MODEL (OR SUGGESTED) CONSTITUTION AND BY-LAWS.

A. Constitution.

We, the undersigned, stockholders of the telephone company to be hereafter designated, in order to form a more perfect organization for the transaction of the business of the company, and for the enforcement of such rules and regulations as the company shall deem necessary to protect the individual intereste of each member, as well as the company at large, have adopted the following Constitution, By-Laws and Rules of Order.

Section 1. The company shall be known as the----------
---
with central office in ----------
and ----------to be managed and controlled by operators selected by the stockholders, subject to such rules and regulations as the company in any regular meeting shall adopt.

Section 2. The officers of the company shall consist of a President, Vice-President, Secretary and Treasurer, together with three Trustees, who shall constitute the Board of Management, who shall be elected by a majority vote of the stockholders present at a regular meeting immediately after the adoption of this Constitution. The President, Vice-Presidnt, Secretary and Treasurer shall hold their offices for one year; and the Trustees, one

for three years, one for two years, and one for one year, to be decided by lot, to hold their offices until their successors are elected.

Section 3. The President shall preside at all meetings of the company, decide all questions that may arise while in session, subject always to an appeal to the house. He shall enforce the provisions of the Constitution and By-Laws, preserve order and decorum in the meeting, and see that the rights of all the members are respected.

Section 4. The Vice-President shall preside in the absence of the President, and shall have all the power and prerogatives of that officer while in the performance of his duty.

Section 5. The Secretary shall keep, in a book provided for that purpose, a correct record of the proceedings of each meeting, which shall be presented at the next meeting of the company for its approval. He shall keep a just and true account of all money that shall come into his hands and pay the same to the Treasurer, taking his receipt for the same. He shall have charge of all papers belonging to the company and deliver the same to his successor at the expiration of his office. He shall do all the corresponding for the company and attend to any other business that pertains to his office.

Section 6. The Treasurer shall keep in a book provided for that purpose, a correct account of all the money that comes into his hands from all sources, keep a just and true account between the company and its members. He shall keep his books in such manner that he can at any time report the financial condition of the company when called upon, and shall submit a full report to the company at the end of his term of office. He shall pay all orders on the treasury, signed by the President and Secretary, out of any funds not otherwise appropriated.

Section 7. The Trustees shall have charge of the telephone line, keep it in repair, and shall have power to employ an expert whenever it is in such condition that it cannot be repaired by ordinary skill; may, if they deem necessary, divide the line into three divisions as equally as possible and each have charge of his own division. They shall have charge of all property of the company, and shall report to the Secretary from time to time as they may think necessary.

Section 8. The annual election of this company shall be held on ----- ---------- and each succeeding year on the same day and date, for the purpose of electing a President, Vice-President, Secretary and Treasurer, and one Trustee to serve for three years, as provided for in Section 2 of this Constitution. All officers of the company shall be required at this election to submit a report of their official acts for the information of the members present. Any other business pertaining to the company may be transacted at this meeting the same as at any other meeting of the company.

Section 9. The capital stock of this company shall not be increased except for repairs without a vote of the majority of the members. No member shall be allowed to own more than one share of stock, nor shall he be allowed to sell his share of stock until after he has offered it for sale to the company at a price not to exceed the original cost of the share. Any share of stock so purchased by the company shall be held as common stock of the company, but can be sold by the company to any person who is not a

stockholder at the time of purchase.

Section 10. The property of this company shall not be transferred to any other company without a three-fourths vote of all the members at the time of sale, and in case of said sale the money accruing from such sale shall be divided pro rata among the members.

Section 11. The President shall have power to call special meetings whenever it is deemed necessary, and in case of his neglect or refusal to do so, a majority of the members shall have power to call such meetings. At all meetings of the company eight members shall constitute a quorum, and each member shall be allowed one vote. The place of holding all meetings shall be determined by the members.

Section 12. The capital stock of the company shall consist of the poles, wire, insulators, brackets, cross-arms, guy poles or wire, money and books and other appurtenances belonging to the company, exclusive of the telephones and fixtures, which are the private property of the members and no part of the company stock.

Section 13. This Constitution may be changed or amended by a two-thirds vote of all the stockholders at any regular meeting.

B. By - Laws.

Article 1. Each member shall pay to the Treasurer the sum of ---------- ---------- dollars to be used for purchasing wire and materials for said line after poles are set. And in addition thereto, each member desiring a telephone shall pay to the Treasurer the cost of said telephone and necessary expense of putting the telephone in place.

Article II. The price of each pole set shall be rated at ------- cents per pole, and the amount placed to the credit of each member, in proportion to the number of poles furnished and set; and in the final adjustment of all accounts between the members, the member furnishing more than his proportion of poles shall be allowed a rebate on each pole furnished beyond the required amount at the rate per pole above specified; and each member not furnishing his proportion of poles shall be assessed for each and every pole necessary to make his proportion equal to the other members. Provided, that where poles of extra size and length are required, in order to elevate the wires so as to escape the effects of electric light wires, or for any other purpose, the member furnishing such poles shall be credited with the actual cost necessary for the erection of such poles.

Article III. After all assessments made have been collected, and rebates and expenses paid, the surplus money on hand and not needed for the use of the company shall be refunded to the members in amounts that will equalize the expenses of each member, taking into consideration the cost of instruments furnished and the cost of putting them in the proper condition.

Article IV. No person shall be allowed the use of a telephone for more than five minutes at any one time. Any person or persons using the telephone, who shall refuse to cease talking at the expiration of five minutes, when requested to do so by any member wishing to use the line, shall be fined the sum of 10 cents for each and every offense.

Article V. Common conversation shall not be permitted when the use of the line is required for the transmission of business messages, and it shall be the duty of all members to see that the provisions of this Article are rigidly enforced.

Article VI. No member shall allow the use of his telephone free of charge to any person not a stockholder, except it be to a member of his family, his partner in business, his employe or guest who is actually visiting his family, or a member of another line who has free exchange with this line, and then only to a stockholder. Any member who shall violate any of the provisions of this Article shall be charged with the full amount of the message so permitted.

Article VII. Any person of any other company having free exchange with this line, who shall request to be switched on to this line for the purpose of sending a message for some other person, not a member of this or some interchanging line, in his own name, shall be charged with the full amount of the message, and on his refusal to pay the same, he shall be denied the further use of the line.

Article VIII. Any person (except those having free use of the line as provided in the foregoing Articles of these By-Laws) shall pay the sum of --------- cents for each and every message to any part of the line, and the additional amount of ten cents or more when the person to whom the message is sent has to be sent for.

Article IX. No person shall be added to the present number of stockholders without a two-thirds vote of all the members of the company.

Article X. No abusive, profane or obscene language shall be permitted to pass over the line. Any person so offending shall be fined the sum of $1.00 and shall be deprived of the further use of the line until the fine is paid.

Article XI. No person shall be allowed to take down a receiver for the purpose of listening to a message passing over the line. Any person persisting in the violation of this rule, shall be dealt with as the company shall deem most just.

C. Rules of Order.

Article I. At any regular or call meeting of the company, when the hour for commencement arrives, the President shall take the Chair, call the House to order and proceed with the regular business of the meeting in the following order:

First: Reading the Minutes of the last meeting, after which the President shall ask: "Are there any objections to the Minutes as read by the Secretary? If not, they will stand approved." If no objections are made, he shall declare the Minutes so approved.

Second: Reports of committees and action thereon.

Third: Petitions.

Fourth: Resolutions.

Fifth: Bills against the company.

Sixth: Bills in favor of some members of the company.

Seventh: General business.

Eighth: Unfinished business.

Ninth: New business.

Tenth: Adjournment.

Eleventh: All committees shall be appointed by the President unless otherwise directed by the company.

Twelfth: When a member wishes to speak on any subject before the House, he shall rise and respectfully address the President. When two members address the Chair at the same time, the President shall decide which is entitled to the floor.

Thirteenth: No member shall be allowed to speak more than five minutes at one time, nor shall be allowed to speak more than once on any question before the House until after the other members have had an opportunity to be heard.

Fourteenth: All questions before the House shall be decided by a majority vote of the members present, unless otherwise provided for in the Constitution and By-Laws.

Fifteenth: The rules of parliamentary practice, comprised in Robert's Rules of Order, shall govern the deliberations of each meeting when not inconsistent with the foregoing rules of order adopted by the company.

Forms for Petitions:

To Mayor of Town for Permit to Erect Telephone Line to Town Limits.

County of ----------

State of ----------

To the Mayor and City Council of ----------

The undersigned, residents and tax-payers of ---------- County, Directors of an Association known as the -------- ----------Telephone Company, in behalf of the subscribers of said Association, petition to Mayor and City Council of ---------- privilege to construct and maintain such poles and wires as will be necessary to carry on telephone communication between the subscribers of said Association and the residents and business houses of ----------

Believing that such action will be in accord with the will of a majority of the voters of your city, we

respectfully and earnestly ask that you grant us this privilege.

----------President.

(Signed) ----------Secretary.

----------Treasurer.

Directors.

To the County Road Commission for Right of Way Along Highway.

County of ----------

State of ----------

To the Board of Supervisors, Assembled.

Gentlemen: Your petitioners, residents and taxpayers of ---------- County, Directors of an Association known as the ----- ----------Telephone Company, petition for right of way privilege along the highway of ---------- townships, subject to such restrictions as may be imposed by the Highway Commissioners of said township.

Said telephone company is intended to bring the farmers of ----------County into telephonic communication, and will directly or indirectly benefit every resident of this community.

We respectfully ask your honorable body to grant our request.

----------President

(Signed) ----------Secretary

----------Treasurer

Directors.

To the Superintendent of Railroad for Privilege to Cross Right of Way.

Mr. ----------

Dear Sir: In behalf of the ---------- Telephone Company, we, the Directors of said Company, ask for privilege to extend a line of wires over the tracks of the ----------Railroad at ----------

Yours very truly,

----------President.

(Signed) ----------Secretary.

----------Treasurer.

Directors.

Note: The right of way for telephone wires at any public highway or crossing cannot be denied by any railroad company.

TELEPHONE COSTS.

Estimate of Preliminary Cost: According to a study made by the United States Bureau of Agricultural Economics embracing 252 rural telephone companies averaging 73 members each and published in 1922 as Farmers' Bulletin #1245, we find the average original cost for all these companies to have been $2,110. The original cost per member was about $29. This figure included only the materials required to install each telephone plus a cost of a mile of line materials, excepting poles, built jointly by four parties.

Where switchboard service is had, it would increase the above individual expense by about $5.00 per member for a 50 drop cabinet board. To this must also be added the cost of poles and their erection which was reckoned as costing $10 per mile per subscriber by the Liberty Company as described earlier in this chapter. We thus see that the total initial cost per member may be expected to be around $44.00.

By purchasing equipment in large quantities, a better price may be obtained from the manufacturer. Hence, it will be found more economical to have all matters pertaining to the purchase of equipment handled by one party. Then again, it is important that the equipment be of uniform quality because it is generally admitted that a system gives better service if all the instruments are of the same make and have the same ringer-resistance.

PROVIDING CAPITAL FOR CONSTRUCTION.

In some mutual companies each member is required to build a certain mileage of the line, buy, install and connect his own telephone instrument and pay his pro rata of the original cost of the switchboard to be used for exchange of service. Other companies let the members furnish

poles and labor but collect the cost of all other equipment in cash and build the line as a company enterprise. A study of the methods most common has been made by the United States Department of Agriculture. It was found that 90% of the companies used the last of the two plans described above.

The particular method or way to go about collecting the cash with which to finance the construction varies. Borrowing, voluntary subscription, assessment, and through sale of stock are methods that can be used. The two latter ways are the most common with the farmers' mutual organizations, according to data given in Farmers' Bulletin #1245. The members themselves should finance the proposition , for in doing so they will take more interest in perfecting the organization as well as greater price in the type and character of service it renders.

When an estimate of the initial cost has been made and a definite number of subscribers has agreed to foster the enterprise, an assessment sufficient to cover the cost can be levied. This is pro rated among the membership. Another way is to issue shares of stock approximating the above proportionment which are purchased by the proposed membership.

It has been found wise to make ample provision for adequate funds with which to finance construction at the very outset. This is because it is easier to secure a slightly larger payment in the first place than it is to collect additional funds from those who thought that they were paying all that would be required in the beginning.

ANNUAL COST OF TELEPHONE SERVICE.

In most enterprises, the larger the establishment (up to a certain point), the smaller the proportionate cost of the several units composing it. In the commercial telephone industry, however, the cost per subscriber

increases as the number of subscribers in a system increases. This is because of the fact that the larger the number of telephones, the more use is made of each one since more calls per telephone tend to be made. Subscribers also are learning to use the telephone more and more. Then again, as the system becomes larger, more complex equipment is needed which increases the company's investment per subscriber. The telephone business, as a rule, is thus seen to be different from almost any other in that the larger the number of instruments installed, the greater the proportionate cost per instrument.

In most mutual telephone companies, the average annual total cash-cost to subscribers for telephone service is relatively low and, unlike that for other types of telephone companies, decreases as the size of the company increases. Data on this point, as taken from pages 16 and 17 of Farmers' Bulletin #1245, is shown in a combined and condensed summary in Table XLIV. A study of this table shows to what extent the above is true:

ANNUAL SERVICE CHARGE AND PER CENT USED TO PAY FOR SWITCHBOARD SERVICE.

Table XLIV.

Size of Groups	Average Annual Charge per Telephone.	% Switchboard Operators' Cost is of Total Average Charge.
Switchboards serving 1 to 50 lines	$ 7.48	65.5
51 to 100 lines	7.09	70.6
101 to 200 lines	4.72	75.5

From the above table, it will be noted that the average annual charge per telephone was $7.48 in companies operating a switchboard having 1 to 50 lines. This charge decreased with the increase in size of the company until the number of lines operated from one switchboard reached 200 where the charge is shown to have been $4.72. This decrease may be due to two

things: first, a large part of the mileage of the lines being owned and kept in repair by the members themselves without cost to the company together with other services rendered the company by members without charge; and second, the one operator required for a switchboard having 50 lines will usually handle up to 200 lines with but little extra pay. Hence, the expense for each subscriber is naturally less when the number sharing the expense is larger. In companies having a switchboard with something over 200 lines or drops, the expense per subscriber would likely be increased as an additional operator is considered necessary on a switchboard of greater than 200-drop capacity. It would, however, decrease gradually as before up to the point where the maximum amount of service that could be given was being rendered by the additional operator.

The extent to which the operator's salary enters into the total annual charges can be seen by a glance at Table XLIV. It will be noted that in the smaller systems, those of from 1 to 50 lines to the switchboard, the switchboard operator's cost makes up 65.5% of the annual charges. In larger rural systems, those of from 101 to 200 lines, the switchboard operator's cost is seen to make up over 3/4 or 76.5 per cent of the total annual charges. In short, the larger the system, the greater is the per cent of the total annual cost that goes to pay for the operation of the switchboard. The principal item then in the annual service charge to subscribers of rural systems is the wages paid the operator. Once in a great while, the purchase of new equipment adds to the switchboard costs but is usually handled through a special levy made on subscribers and collected often in connection with the regular dues that are commonly paid quarterly.

TYPES OF RURAL TELEPHONE CONSTRUCTION.

In the rural districts of Tennessee will be found two general types of construction. One is called the grounded or one-wire system and the other the metallic or two-wire system. A comparison of the merits of these two kinds of construction as found in Farmers' Bulletin #1245 of the U. S. Department of Agriculture, follows: "For short lines the grounded system may be used to advantage. This type of system is cheaper to build than the metallic, since only one wire is needed, the ground being used to complete the circuit. ..... These lines are frequently subject to buzzing noises which cannot be eliminated. In very dry weather when there is little moisture in the ground, the ringing will be weak and the talking faint over a grounded line. ..... The metallic system, in the complete circuit, is free from these defects. ..... A somewhat stronger pole line and twice the length of wire are required."

In sections where farmers have never used telephones and wish to have this service at as low cost as possible, the grounded system will likely prove satisfactory. It will give some service when the wires of two or more lines are crossed, whereas a "cross" of the two wires composing a metallic system stops communication altogether.

DESCRIPTION OF SOME FARMERS' MUTUAL TELEPHONE SYSTEMS IN TENNESSEE.

A better understanding of what farmers may accomplish in the matter of securing telephone service may perhaps best be gotten by reviewing a few specific examples. We will therefore give a brief description of some farmer companies now operating in Tennessee.

A very successful farmers' mutual telephone system that has given splendid service is located in and around the town of Liberty, in DeKalb County. About 1909, a few farmers living adjacent to a pike upon which

the Gainesboro Telephone Company had lines wanted telephone service. The rate was $1.50 per month for rental and service through the local or Liberty exchange only. The rural people felt that they could not afford to pay this price. At that time the neighboring village of Doweltown had a mutual system giving satisfaction so agitation was started by the most interested farmers looking toward establishing a similar organization. At this time about 25 homes in and about Liberty had telephones on the above-mentioned commercial exchange. The owners of these telephones also wanted a system operated on a plan such as would induce their rural friends and relatives to install a telephone and thus make their own phone worth more to them. They, therefore, encouraged the project and agreed to become patrons if a sufficient number of their kinspeople and farmer friends put in the mutual telephones. This factor boosted along construction. The ultimate outcome of it all was that on January 15, 1910, twenty-four citizens organized the Liberty Home Telephone Company capitalized at $3,000. Shares of stock were voted at $25 each and each member was required to purchase his own box and furnish and set ten poles in addition. He could pay a total of $45 to cover all three of these items in lieu of furnishing poles and box, if he cared to do so. The $25 cash paid in by each member was used to buy the switchboard, wire, insulators, brackets, etc. Stringing the wires and practically all work of construction was done by the members who received credit on their shares of stock for all work done in excess of that required to set their own poles as stated above.

The Liberty Home Telephone Company began operating with about 75 subscribers. The greatest number of stations or telephones ever on the switchboard at one time was 135. Some of the farmers who first took phones later decided that they didn't really need a telephone and the number of telephones became reduced to 115 which the Secretary, Mr. C. Y. Givan, in a letter dated March 6, 1928, states was still the number of homes being served by the com-

pany on January 1 of that year.

The Liberty company serves a territory the radius of which is about 2 1/2 miles, although some party lines extend as far as eight miles out from the central office. Outside connections exist with four other communities or switchboards having similar systems and there is no charge for calls by its members through them. In fact, there is no charge for telephoning on the mutual systems of this section just as far as satisfactory connections can be made.

Long distance connection through a commercial line company is also maintained by means of which the rural telephone people can make calls into cities or other parts of the country where old line companies operate. Of course, regular long distance charges apply in such cases.

Seven parties is the maximum number allowed on any party line.

Three minutes is as long as one person can hold the line for transmitting a message when another party is waiting to use it.

Type of Construction. After considering the advantages and disadvantages of the two kinds of line systems, it was voted to construct the metallic or two-wire type. The fact that the old line company then existing and serving the townspeople used the metallic system coupled with the fact that their neighboring town's one-wire system had not proved altogether satisfactory, probably had their weight in influencing the decision in favor of the two-wire type of construction.

Management. The Liberty Home Telephone stockholders meet the middle of January each year and elect a president, vice-president, secretary-treasurer, and six diredtors who form the executive board to transact all business. This includes employing an operator and a lineman.

The directors meet quarterly and assess dues to pay estimated operating expenses for the ensuing three months. The subscribers are re-

quired to pay their dues within 30 days or service to them is discontinued. The constitution of the company is such that the directors can only assess up to 10% of the $25.00 amount of a share of stock at any one time.

Personnel of Officials. Perhaps no other single factor has contributed more to the success of the Liberty Home Telephone Company than the high type of officials that have always been elected to the various posts of duty already mentioned. Men who had actually proven their worth as leaders of community activities, who had the confidence of their fellow-men and who were willing to devote some time and effort to the company's best interest were chosen to foster the project at its beginning. Few changes have ever been made in the personnel of the company. The present secretary has served continuously since 1911. His records are kept in such a manner that any member can readily see just where every penny of expenditure goes. The minutes have been so accurately kept that no corrections have had to be made for the last 16 years or during the entire term of office of the present secretary, Mr. C. Y. Givan. A spirit of friendly rivalry exists between the officials of the Liberty and neighboring towns' companies, and each group tries to excel the other in giving the best possible service at the least expense consistant with good management and long continuous operation.

Operating Expenses. 1. Switchboard Expense. Back in 1912, the switchboard was located in the home of a party in Liberty who agreed to house and operate it for $200 a year. $175 of this amount was considered as salary for the operator and the remaining $25.00 as house rent. In 1914, the operator was paid a total of $210 for house rent and operating expense combined plus one-half the fees collected from outside parties using the lines of the company. By 1918, the operator was being paid

$300 a year plus the actual cost of coal and kerosene oil for use in the room where the switchboard was being operated. The operator's pay was increased at intervals until by 1922 this service was costing the company $480 annually. Since 1922, the operator has been paid $50.00 per month or $600 annually.

2. Service Charges. In March 1911, an assessment of $2.00 was levied on all patrons to cover the costs of operating from the beginning of the service up to that time. This had been a period of seven months. Since that time the charges have been set quarterly in advance by vote of the board of directors. By 1920, service charges had risen to $1.50 for the first quarter of that year; were set at $2.50 for the second quarter; and at $1.75 for each of the last two quarters of that year. Since the above date, the charges have been as shown in the following table:

	Year.					
Quarter	1922	1923	1924	1925	1926	1927
First	$1.50	$2.00	$1.50	$1.50	$1.50	$1.75
Second	2.00	2.00	1.75	1.75	2.00	1.75
Third	1.75	1.75	1.75	1.75	2.00	2.00
Fourth	1.50	1.65	1.50	2.00	1.75	2.00
Totals	$6.75	$7.40	$6.50	$7.00	$7.25	$7.50

Average annual cost (1922 - 1927) $7.06

It will be seen from the above table that for the years 1922 to 1927 inclusive, the average annual service cost to the telephone subscribers was $7.06. Also that the quarterly costs have varied but little, the range being between $1.50 and $2.00. This means that the average daily cost of having the convenience, pleasure and profit arising from the use of a telephone has been a little less than a two-cent postage stamp.

3. Maintenance Costs. During the year 1912, the total operating costs were $588.58. Since the cost of housing and operating the switchboard that year was $200, we can see that all other charges were approximately $400. A considerable portion of this amount went for maintaining the lines in a good state of repair. This included keeping the lines free of obstructions, putting in additional braces and guy wires made necessary from adding more wires on the poles together with some changes to improve the efficiency of each member's individual line.

The secretary states that in recent years supplies for repairs and replacement purposes have cost an average of $5.00 per month. A lineman is employed who is constantly on the alert to keep all lines in good working order. He exercises foresight and endeavors to forestall serious line trouble. This, however, is made possible by the hearty cooperation of subscribers who report at once any impending danger which comes under their observation. In short, good continuous service is made possible through exercising of the age old adage: "An ounce of prevention is worth a pound of cure."

The lineman is also a patron; hence has interests in the company other than its compensation to him. Being a farmer, he tries to do most the upkeep work during times when he is least busy on his farm. After doing the various jobs connected with keeping good service, the lineman makes out a bill for his services and this has averaged $15 per month.

An assistant lineman is paid $2.00 per day for construction work and $1.00 per day for clearing the line. The latter is done regularly once a year on all the main lines of the company.

Repairs to party lines, beyond where they leave the main line, are done by those having telephones on this particular line or at their expense if the company's lineman is called into service.

No special assessment is made to take care of maintenance costs,

this item of cost being paid from funds derived from the regular quarterly charges.

4. Compensation to Secretary. The present secretary of the Liberty Home Telephone Company, Mr. C. Y. Givan, is now in his seventeenth year of continuous service. A somewhat unusual and singular fact worthy of note in this connection is that Mr. Givan has so accurately and painstakingly kept the minutes and other records of the company that no errors have been found during the entire term of his long period of service. The only compensation the secretary has received has been $15 per year plus release from the service charges on his own private residence phone and another box located at the home of his tenant.

Other officials such as president, vice-president, and members of the board of directors receive no compensation whatever.

Financing. As already stated, the Liberty Home Telephone Company was originally capitalized at $3000. Shares of stock were set at $25 each. These were bought by prospective members for cash or, if desired, a credit of six months with good security was allowed. Each party purchased his own telephone instrument and furnished and set ten poles in addition to buying the $25 share of stock.

In order that all telephone boxes might have the same ringing resistance, orders for them were pooled and the purchase handled through one party. These had to be paid for with cash and cost about $10 each, delivered.

Some of the farmers who had a surplus of telephone-pole timber would trade with a neighbor who was short on poles to furnish and erect this neighbor's ten poles. In this same connection, many townspeople paid their farmer friends cash to furnish and set their allotment of ten poles.

This enabled quite a few of the farmers to obtain their shares of stock and telephone instruments for the minimum outlay of only $25.00 cash.

Soon after the quarterly dues are set by the board of directors the secretary furnishes the local banker with a list of the subscribers and the amount due the company by each.

Subscribers or patrons can either go by the bank when convenient and pay their telephone dues or mail check to the secretary for same. Dues must be paid within 30 days from the end of the quarter or service is discontinued. Very little friction has ever been caused by a rigid enforcement of the above plan for the collection of dues. The same party never lets his telephone dues get in arrears more than once. The embarrassment incident thereto teaches him a real lesson in prompt payment of this obligation.

The arrangement whereby the Liberty banker accepts the telephone dues is merely gratuitous on his part. The service rendered is worth considerable to the company since no notice of dues is mailed out which would require time and postage and it is likewise a great convenience to the subscribers. The latter can just drop by the bank when in town and make over payment or even call the banker over the telephone and have him transfer the amount of their dues to the telephone company's credit in case their bank account is kept there.

A special collector looks after collecting all long-distance charges. He gets 15% of them for his services. 5% is also paid to the local operator and the remaining 80% goes to the old line company over whose lines the message was sent.

Total Annual Expenditures. The Liberty Home Telephone Company had a total annual expenditure of $588.58 in 1912. The amount so expended each year since has been fairly constant with the exception of 1922. At

that time it became necessary to purchase a new and larger switchboard. It cost the company $455.50. The money with which to make this purchase was raised through an assessment of $3.00 levied on each stockholder. This amount was collected along with the last quarter's dues which were $1.50 for that period.

A letter from the secretary under date of March 6, 1928, states that the total expenditures for the year 1927 were $850.21. The total receipts were $853.25 during 1927 and the net amount in the treasury at the close of business 1927 was only $4.42. The expenses can be so closely approximated that the end of the year's business usually finds but little idle funds in the treasury. Cash on hand at the close of each year's business rarely ever exceeds $100.

Of the $850.21 expenditure in 1927, the sum of $600 went for switchboard operating costs and $250.21 for repairs and maintenance of the company's lines. $175.00 of the latter amount was paid out during the last three months of 1927.

Savings Effected. The actual saving to the community served by the Liberty Home Telephone Company can be very closely approximated. Had the 115 subscribers of that local company installed telephones of the commercial company and paid only its then current rate of $1.50 per month, the expense would have been a little over $2000 a year. An average of about $800 has been paid annually for an equal character of service. This is a saving of $1600 or 166% annually. This saving, when counted for the entire 17 years of the company's existance means a saving of over $20,000 to these citizens.

Quality of Service Rendered. In justice to the efficient management of the Liberty Home Telephone Company, it should be noted that the character of service rendered to the subscribers of the company has been fully

equal to that of the commercial company which formerly existed in this territory. In fact, as high a quality of service was given at so much lesser cost that the commercial company gradually lost its patronage and had to withdraw from this community. Service by the old line company was eventually discontinued and finally its switchboard at Liberty was taken out. Its lines also were removed and now the Liberty Home Company serves this village and surrounding country exclusively.

Switchboard Service Hours. In the beginning of the switchboard service the operator was allowed three hours (10 - 1 o'clock) off duty on Sundays to attend church. In 1916, however, the service was made continuous from 5 A. M. to 9 P. M. including Sunday.

Emergency calls such as calling for a physician, etc. have always been taken care of any hour of the day or night.

In order to meet the needs of farmers for early morning telephone service during the rush season on the farm, the following schedule of hours for service has been agreed upon:

Period of Months	Service Hours.
Dec.; Jan.; and Feb.	6 A. M. to 9 P. M.
March; April; and May	5 A. M. to 9 P. M.
June; July; and August	4 A. M. to 9 P. M.
Sept; Oct; and November	5 A. M. to 9 P. M.

It will be noted from the hours during which service is given as listed above, that an average of 16 hours continuous service daily is given to patrons of the Liberty Home Telephone system. No calls are supposed to be made after 9 P. M. anytime. During the winter months of December, January, and February, morning service starts at 6 o'clock, but during the months of June, July, and August, service may be had as early as 4 A. M.

Miscellaneous Rules and Regulations. The following restrictions have been found necessary in order for the Liberty Home Telephone to function most effectively:

"Three minutes shall constitute a message when another party is wanting to use the line."

"Seven parties is the maximum to be allowed on any party line."

"Non-subscriber shall be charged 10 cents for a three-minute conversation over the company's lines."

"Any subscriber failing to pay his dues within 30 days after the end of the quarter shall be refused service through to switchboard."

"Where a party off the company's main line wants to install a telephone the company will furnish one-half mile of a double-wire line, pins and brackets, but the party desiring service must buy a share of stock costing $25, furnish his own telephone box and poles and build his own line beyond the one-half mile limit."

"Outside parties wanting a telephone only temporarily shall be allowed to build their own line into the switchboard and get service at the rate of $1.00 per month."

"When a party in town desires to have both an office and a residence telephone, he need only purchase one share of stock but must build his own line into the switchboard and pay two service charges."

No person shall take down the receiver for the purpose of listening in to a conversation not intended for him.

Calls made over the company's lines shall be charged against the member whose telephone is used and shall be paid by him at the next quarterly payment date.

The Doweltown Home Telephone Company. Doweltown is a small town located in a community adjacent to the one whose telephone system has

already been described. It has a rural telephone system that was originally organized on a plan almost identical with the one previously described in the neighboring community centered about Liberty, Tennessee. Certain differences, however, exist between the two companies at the present time. Stated in tabular form, these differences are about as follows:

	Liberty Telephone Company.	Doweltown Telephone Company.
Types of systems	Metallic	Grounded
Number of patrons	115	184
Farming element	Owners operate medium sized farms.	Large landholders and tenants.
Switchboard building	Rented	Owned by company.
Line maintained	By hired linemen	By annual contract
Condition of lines	Excellent	Fair
Service charges	Set quarterly	Set annually
Annual cost	$7.06	$6.00

When the lines of the Liberty Company were constructed the poles were set near the fence just inside the fields along the turnpike. This was to avoid interference with the lines of the commercial companies already there. The Doweltown Company set its poles on the side of the roadbed and has since had to move them due to widening of the highway.

The Doweltown Home Telephone Company was organized in 1909 which was just one year prior to the birth of the Liberty organization. In fact it was through Doweltown that the regular farmer owned and operated type of telephone service first entered into DeKalb County. From this place as a nucleus, the system spread to different parts of the county finally resulting in the county becoming so covered with such a network

of its lines that the old stock company withdrew from this section altogether. The switchboards it once had in operation at each of four places within the county have long since been dismantled and the wires that once traversed the one main highway leading through the country have been removed.

Fifty men took shares of stock in the Doweltown organization at first. It now has 184 shares outstanding.

In 1916 the above company bought a dwelling house for $800. It houses the switchboard and also serves as a residence for the operator's family. This arrangement permits different members of the family to serve time-about in acting as operator at the switchboard.

In 1923, after the telephone equipment had been in service some 14 years, the poles had decayed so much that many of them began to fall and cause considerable line trouble. Unsatisfactory service was, of course, the result. For some time then the matter of reorganization was considered. In the meantime, a debt of $245 had accumulated. Various means and methods of further operation and procedure were discussed all of which "prolonged the agony" and created general dissatisfaction among the rank and file of the membership. A complete overhauling of the entire system seemed necessary or else disband. At this juncture a local party saw fit to make a proposition to the telephone company. In brief, it was as follows: First, Assume the company's indebtedness; Second, Repair the main lines of the company; Third, Direct the reconstruction and repair of lines off the main lines; Fourth, Occupy the company's house as a residence; Fifth, Operate the switchboard for the company; Sixth, Perform all the above services at a monthly cost of 50 cents per subscriber if each patron would furnish a pole for replacement purposes every other year. This proposition was accepted by the company and since taking over the system, the contracting party has paid off all the $245 indebtedness mentioned above, has brought

the service back to its former state and is sufficiently satisfied with his trade to want to review and continue it from year to year.

THE RURAL TELEPHONE SYSTEM OF KNOX COUNTY.

Two large commercial telephone companies have been in existance in Knox County for a number of years. One is called the People's Telephone and Telegraph Company and the other the Bell System. Each of them endeavors to maintain some rural service. Their manner of extending service to rural districts may be classified into three methods.

(1) Individual party service over a private line. The cost of this class of service is $2.25 per month for parties living within a three-mile radius of the company's central office. Those desiring a private line and living beyond the three mile limit must pay an additional amount of 70 cents for each additional mile above three.

(2) "Rural Farmer Line Service" is the next larger type of system. This is where two or more parties are connected to the same line which goes to the commercial central exchange. The charges, where only two are on the line, are $1.75 per subscriber plus $1.00 per subscriber for each additional mile beyond three from the central exchange.

Charges similar to the above prevail for three, four, and five parties on a line until we reach six in number on the same line when the charge is $4.25 for the group, provided they purchase their own boxes and meet the company at not over three miles from its central office. For every mile over three from the central office that the Knoxville Company has to extend its lines to meet one of these farmers' lines an annual flat charge of $10 is paid by the group of farmers. For example: If six farmers living six miles from Knoxville's central exchange go in together, buy their own telephone boxes and cooperate in constructing a party line that meets the com-

panies' lines four miles from the latter's central exchange their individual annual charges would be one-sixth of $51.00 plus $10, or $10.16, the $10 being for the one mile of the company's construction which is beyond its three mile limit. Any group of farmers above six in number desiring a combined line of this type can get it through mutual construction as already explained and paying the Knoxville Company monthly charges at the rate of 71 cents each.

(3) "Farmers' Exchange Lines" in which case the farmers own the boxes themselves, construct and maintain their own lines to within the three-mile limit and own and control their rural switchboard or exchange. The group collectively pay a specified sum for trunk line service connecting the rural exchange with the Knoxville switchboard. This charge is $8.50 per year for the first 3 miles plus $5.00 for each 1/2 mile additional that the rural exchange is from the Knoxville switchboard.

The last system described above, commonly known as the "Farmer Exchange Line" has developed in many sections of Knox County. The 1927 directory of the Bell Telephone Company had listed therein four rural exchange centers with a patronage of 453 subscribers and the People's Company directory at the same time showed nine similar exchanges having a total of 438 subscribers.

The cost to a Knox County farmer of having a telephone by either of the above methods will vary from time to time as rates change. Practically no farmers accept the individual party service proposition because of the high cost.

The rural farmer party line type of service has met the need of several groups of farmers in Knox County. The Bell System in 1927 had thirteen such party lines radiating out from their central office at Knoxville. These lines accommodated more than 100 farmers having telephone boxes on them. Some of these farmers live as far as 18 miles from Knoxville. The People's Company reported no party lines but gave a list of rural farmer exchanges,

together with the number of patrons served by each as follows:

Location of Exchange.	Number of Patrons.
Corryton	54
Hall's Cross Roads	116
Peaks and Edgemoor	26
Harbisons Cross Roads	54
Raccoon Valley	72
Riverdale	40
Shooks	40
Thorn Grove	36
Total	438

Due to a rather abnormal situation existing in early 1928, namely the contemplated merging of the two commercial companies of Knoxville by April 1; the farmer party lines as well as the rural exchanges suffered from neglect of maintenance and repair. Pending the actual union of the two systems, the farmers have allowed their lines to get in such a condition that many subscribers have withdrawn and as a consequence the average country exchange of the abofe company has become reduced in number of subscribers to about one-half of what they have had in times past.

Rural Farmer Exchange lines belonging to the Bell System and in operation in Knox County are as follows:

Location of Exchange	Number of Patrons
Bearden	233
Concord	96
Harbison's Cross Roads	39
Powell's	85

Investigation as to the future of the above rural systems reveals that service will very likely be maintained in an efficient manner for some time to come.

A comparison of the morale of farmers now being served through the two Knoxville companies shows that the news of a possible selling-out of one company to the other had a depressing effect upon those farmers having telephones with trunk line service through the corporation about to be taken over by the buying organization. This is possibly due to the uncertainty as to how the purchasing company might deal with the farmer company.

Management of the farmer rural exchange type of service is done through a board of directors elected from among the local membership. It is vested with authority to handle all local matters and also to perfect arrangements whereby the rural exchange subscribers can have service over the commercial company's lines. Collection of dues, etc. is handled through the rural exchange officials who report to the commercial company in the name of one of its board members.

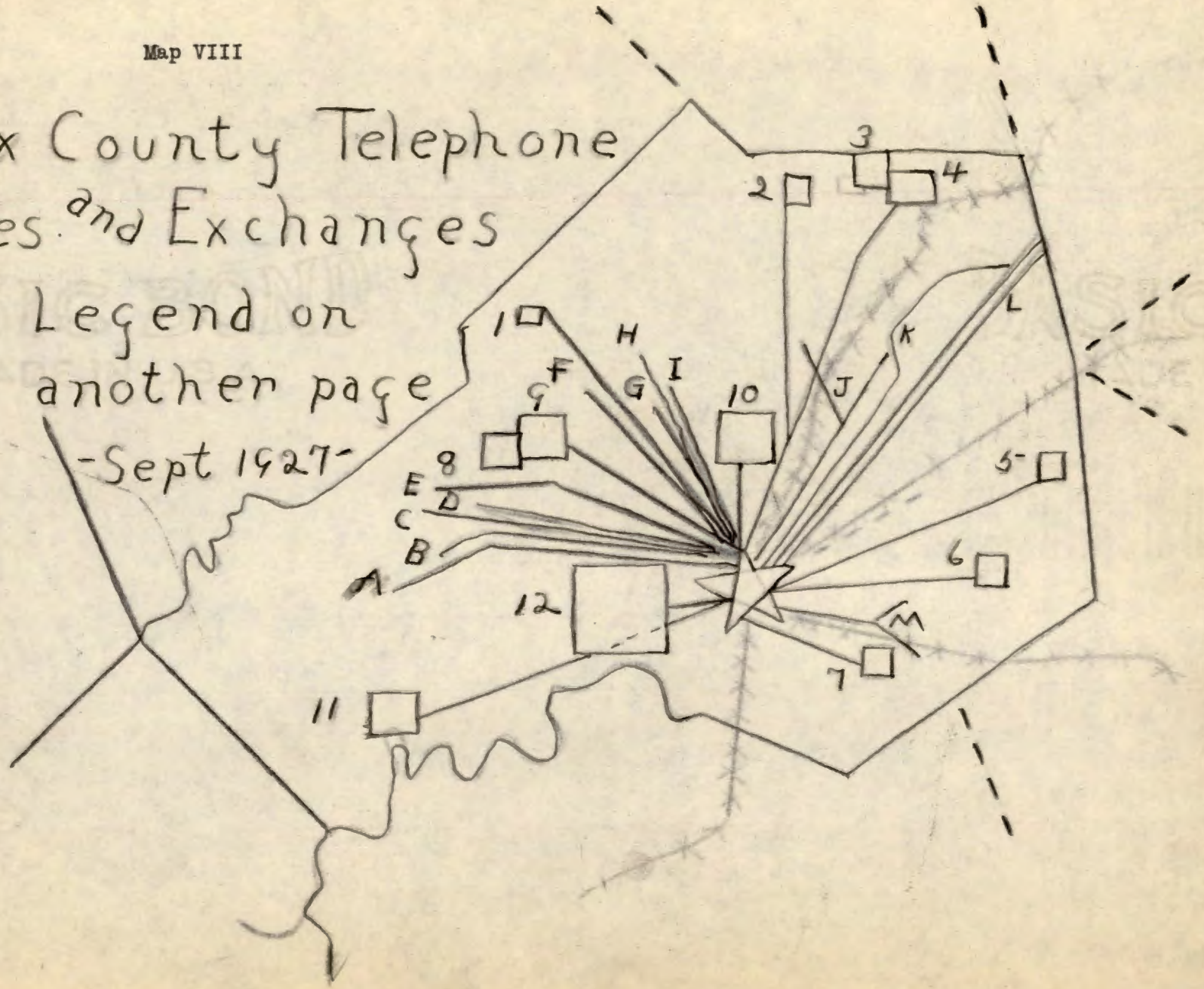
Of course, great waste to the county resulted from the building of two commercial systems in this same territory. Such duplication limited the number of telephone connections possible for any subscriber unless he had a telephone in each system. A farmer wishing to call a fellow farmer on business is often told to his chagrin that the party being called does not have a telephone on the same system which, for all practical purposes, is about the same as if he had no phone at all. To really get in touch with the party wanted he must either go to a place where a telephone on the other system is installed or be content with a slower means of communication such as by mail or a trip in person. This unsatisfactory and often very annoying condition was one of the reasons that led to a merging of the People's Company (called the "New") with the Bell Company (known locally as the "Old").

Map VIII

Knox County Telephone Lines and Exchanges

Legend on another page

-Sept 1927-



LEGEND FOR KNOX COUNTY TELEPHONE LINES AND EXCHANGES.

Name of Exchange	Number of Subscribers
1. Peaks and Edgemoor, p.o. Heiskell, R. #4	26
2. Harbison's Cross Roads (new), p. o. Corryton	54
3. Harbison's Cross Roads (old), p. o. Corryton	39
4. Corryton	54
5. Thorn Grove, p. o. Straw Plains	36
6. Riverdale, p. o. Knoxville, R. #11	40
7. Shooks, Neubert, R. #1	40
8. Raccoon Valley, p. o. Powell's Station	72
9. Powell's	85
10. Hall's Cross Roads	116
11. Concord	96
12. Bearden	233
Total	991

Location of Line	Number of Subscribers
A. Ball Camp Pike	6
B. " " "	6
C. " " "	6
D. " " "	8
E. " " "	8
F. Clinton Pike	6
G. Dry Gap Pike	4
H. " " "	4
I. " " "	4
J. Washington Pike	15
K. Rutledge "	14
L. Rutledge "	14
M. Sevierville Pike	6
Total	99

Contract for Farmers' Line Telephone Service

Form S-821
(Jan. 16)

The subscriber requests the Southern Bell Telephone and Telegraph Company (hereafter styled the Company), subject only to the terms and conditions hereinafter stated and which are fully understood and agreed to by him, to furnish and maintain a metallic circuit from the Company's central office at.....

to.....

.....

.....to be connected at that point with a circuit owned, maintained and operated by the subscriber, with which may be connected six telephone stations installed, equipped and maintained by, or at the expense of the subscriber at such locations as the subscriber desires, provided such stations at such locations do not conflict with the lines of the Company or any of its connecting Companies, and requests the Company to furnish local exchange service in connection with its exchange at.....

to the subscriber and his associates, their agents and representatives only, for.....years from the first day of the month succeeding the connection with the subscriber's circuit and thereafter until his contract is terminated as herein provided, subject to the terms of this contract.

It is understood and agreed between the parties hereto that the line or lines of the subscriber and his associates shall not extend to, or connect with, by switching or otherwise, any line or lines owned or operated by other parties, except as may be first agreed upon in writing by the parties hereto. The subscriber agrees that no telephones located within the exchange limits of any town in which the Company operates an exchange, will be installed on the line covered by this contract. And it is further agreed that the subscriber's line shall be completed and in operation under the terms provided for in this agreement within six months from the day of its acceptance on the part of the Company, otherwise this agreement is null and void.

The subscriber agrees to pay for the use of that portion of the circuit furnished by the Company inside the exchange limits and for local exchange service, to be furnished as above stated,.....Dollars per annum per station, payable quarterly in advance, on the first day of January, April, July and October, provided, however, that payments made by the subscriber shall not be less than.....Dollars per annum for said circuit, and he also agrees to pay for all foreign messages from all stations connected with the said circuit such tolls as are now or may be established, payable monthly on the first day of the succeeding month.

Where the Company, at the request of the Subscriber, furnishes and maintains a circuit beyond the exchange limits of its exchange, the Subscriber agrees to pay for such circuit at the rate of Ten ($10.00) Dollars per mile per annum. It is understood and agreed that.....miles of circuit is to be furnished by the Company as above at this rate. If any expense is incurred by the Company in the maintenance of that portion of the line furnished by it as above, which expense is caused by the condition of that portion of the line or equipment owned by the subscriber and which is to be maintained by the subscriber, the subscriber agrees to reimburse the Company promptly for such expense.

A "Local Message" is a personal communication, five minutes, or less, in duration, from any of said stations to another station connected with the exchange of the Company with which the subscriber's line connects;—a "Foreign Message" is a personal communication of such duration as is now, or which from time to time may be established, from any of said stations to a station connected with any exchange or toll line outside of exchange. All words herein referring to the Subscriber shall be taken to be of such number and gender as the character of the Subscriber may require.

Additional telephone stations may be connected with said subscriber's circuit under the terms herein provided, upon the payment to the Company by the Subscriber of an additional sum, or charge of.....Dollars per annum for each additional station and upon the execution by the Subscriber of a supplemental contract covering said station, or stations. The subscriber agrees that no additional station will be connected until a supplemental contract has been signed by him, and accepted by the Company.

If the entire amount due under this contract shall not be paid by the 15th day of the first month of each calendar quarter, the Company reserves the right to discontinue service over said circuit, without rebate for interrupted service, until said amount shall be fully paid.

For any interruption of the service caused by, or on account of, that part of the line or central office equipment owned by the Company, continued for a period of more than twenty-four hours, a rebate at the rate hereinbefore specified shall be made to the Subscriber for the time such interruption continues after reasonable notice in writing to the Company by the Subscriber, but no other liability shall in any case attach to the Company. It is distinctly agreed that no rebate shall be made for interruption of service caused by, or on account of the circuit of the Subscriber, or of any station connected therewith.

Either party may terminate this contract at or after the expiration of the.....year by not less than thirty (30) days' previous notice in writing to the other party. Upon non-payment of any sum due the Company, or any violation hereof, the Company may, without notice, terminate the Subscriber's rights hereunder and sever the connection, in which event no liability whatever shall attach to the Company.

This request becomes a binding contract only when accepted by the Company's Commercial Superintendent by his signature hereto. The terms and conditions of this contract cannot be varied or waived by any representation or promise of any canvasser, or other person, unless the same be in writing and signed by the said Commercial Superintendent.

(Subscriber) .....

Attest..... .....

Address.....

Accepted.....192....., by the SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY.

Correct:.....
District Manager

By.....
Commercial Superintendent

AN EXAMPLE OF HOW AN INDIVIDUAL SECURED ADEQUATE TELEPHONE SERVICE FOR HIS RURAL COMMUNITY.

A very interesting type of rural telephone service is that which was developed in Graves County, Kentucky, which adjoins Weakley County, Tennessee on the north. Along about 1912 there resided at Pryorsburg, Kentucky, an old gentleman by the name of Dr. Milford W. Rozzell. He was a well-to-do man who had always resided in the community and who had many relatives both in Pryorsburg and in the country round about. In addition to his medical practice Dr. M. W. Rozzell also owned a farm of about 200 acres, and other property. He had a son who was employed by one of the commercial telephone companies and was an expert electrician.

Pryorsburg is a village of about 240 population and is a station on the I. C. railroad. It is located about 6 miles from the county seat town of Mayfield, which has a population of about 6000.

Previous to 1912 the telephone service in Pryorsburg and surrounding country was very meager. There was a commercial switchboard at the village but the rates were high and but few people had telephones even in the village, while in the country districts only a farmer at long intervals had one. The commercial business was proving unprofitable and the company desired to discontinue the service for that reason.

At this point Dr. Rozzell conceived the idea of having the community take over the switchboard and organize a more extensive system on a semi-cooperative basis. The switchboard was a good one, and in negotiations with Dr. Rozzell the company offered to sell it to him for $250. Dr. Rozzell's motives in being interested in the matter were three fold:

(1) He needed and wanted a telephone so that his patients could call him; to connect him with his farm and saw mill, etc; and to connect him with his friends.

(2) He desired to do something to help his relatives and friends in respect to telephone service.

(3) He saw an opportunity to make a profit on it in a small way:

a. It furnished him with a market for his poles.

b. He made a profit on boxes sold.

c. It gave employment to his niece as operator.

After doing some figuring on the matter, Dr. Rozzell decided that if a considerable number of people would take stock at $10 per share and install boxes purchased through him that he could finance the system. The next step was to interest the people and secure their cooperation. Dr. Rozzell was well known to all of them, and was also a good salesman. He therefore had comparatively little difficulty in securing a sufficient number of subscribers to make the system a success. Between 150 and 175 subscribers were secured, these being located both in Pryorsburg and the country nearby. There are seven roads leading into Pryorsburg, and a line of poles was run out each of these roads for a distance of from 1 1/2 to 2 miles. On some of the poles several lines of wire were strung.

It appears that financially Dr. Rozzell came out very well on the venture. He agreed to purchase the switchboard, furnish and put up all poles, furnish and string the wire, and install the telephones, if the subscribers would purchase their telephone from him and buy stock to the amount of $10. The switchboard cost him $250. There were about 14 miles of poles, with probably about 30 poles to the mile or 420 poles. These were cut from Dr. Rozzell's land, and were worth at that time about 50¢ each or $210 delivered on the road. The single wire system was used, and the wire was not expensive. Dr. Rozzell's son did the line work, installed the telephones, etc. Putting up the poles was done by common labor at a cost of about 75¢ per day. It is estimated that setting the poles did not cost over $50. Dr. Rozzell

ordered the telephones himself and sold them to subscribers at $14.00 each, which probably allowed him some margin for the expense of handling and as commission.

Subscribers were expected to pay in advance for their stock and their telephone, which cost a total of $24.00. It is estimated that about 3/4 of the landowners in a radius of two miles of Pryorsburg subscribed for telephones. A trunk or blank line was run to connect the Pryorsburg exchange with the commercial exchange at Mayfield, the Mayfield company bearing half the cost of this.

After the system was established Dr. Rozzell bore all expenses of upkeep for the lines, repairs on the switchboard, etc., the only charge to patrons being 25¢ per month per subscriber, or $3.00 per year, to pay the operator. This gave her a salary of about $40.00 per month or $480.00 per year, which was considered a fair wage at that time for a country girl.

The service on this system was quite satisfactory. It connected with the commercial system operating in Mayfield, and also with a system operating in an adjoining county, and subscribers could call over any of those lines free of charge. Long distance connections were made with the Bell system and calls of this character could be made at the usual rates.

Dr. Rozzell continued to live in Pryorsburg for about six years after the inauguration of this community telephone system, at which time he moved to a larger city. During his stay at Pryorsburg he kept the lines in fairly good condition and gave service that was satisfactory to the patrons. When he moved away he considered that the telephone system belonged to the community and turned it over to the subscribers without further charge.

It was necessary, of course, to have some form of management for the system so a meeting of the subscribers was held, the necessary officials

elected, and plans made for carrying on the business during the coming years. Unfortunately the new management did not prove to be an efficient one, and the membership had not been trained to cooperate together; as a consequence the system was allowed to deteriorate and a few years later was abandoned. At present that whole rural section is again without telephone service of any kind, and there is only one commercial telephone in Pryorsburg, that being a pay station. In other words, after a ready made, functioning telephone system was installed and turned over to this community almost free of charge the subscribers did not have enough cooperative spirit and business ability to continue its operation successfully. This is a good illustration of the need for a real community leader in any cooperative enterprise.

The success of this community telephone project under the direction of Dr. Rozzell is a splendid example of what a public spirited citizen can do, without expense to himself, to improve rural conditions. There are hundreds of villages and rural areas over Tennessee today that are without adequate telephone service, and in almost every one of them there are influential men who are able financially to install a system of this kind. The work of Dr. Rozzell in the Pryorsburg community is a challenge to every such man everywhere.

It would seem that Dr. Rozzell's work could be improved upon in one respect, however. Such a man cannot live forever, and the subscribers should be gradually trained in management and cooperative spirit so that when the benevolent individual is ready to retire from active charge the subscribers can and will take over the system and continue its successful operation from generation to generation.

FACTORS IN THE SUCCESSFUL MANAGEMENT OF A COOPERATIVE TELEPHONE COMPANY.

A number of farmers were interviewed in connection with this study, and among other things were requested to state the factors which they considered necessary in order that a farmers' cooperative telephone system be operated successfully over a considerable period of time. Below is given a summary of their suggestions. In each case the man offering the suggestion based it on his own experience and observation of such companies:

(1) The company should, if of considerable size, be incorporated. The incorporated companies enjoy special rights and privileges not granted to unincorporated companies.

(2) Company should have some kind of written agreement or constitution and by-laws.

(3) Good equipment should be purchased, as this is necessary in order to provide efficient service over any extended period of time.

(4) Harmony among the members should be especially striven for.

(5) An educational campaign is desirable, to secure the support of patrons.

(6) Poles and line should be kept in good repair at all times, even during the busy season.

(7) Members should be taught to meet their obligations promptly when due.

(8) The duties of members should be brought to the attention of patrons, and each one made to understand it.

(9) The books of the company should be properly kept. These should be audited frequently, so there will be no suspicion of graft, and a copy of the audit sent to each subscriber.

(10) Repairs on the line should be done by someone with a special apti-

tude for the work, rather than by the membership at large.

(11) Strong and durable poles should be used when constructing the line.

(12) No attempt should be made to use trees as poles, as winds will soon break the wire.

(13) The manager should study the business, and understand it thoroughly.

(14) The support of a large percentage of the population of an area is necessary for the most successful operation, as this:

a. Reduces the cost per patron.

b. Makes it more desirable to have a telephone.

(15) A careful survey of economic and social conditions in the area should be made when the system is being planned to determine the kind of service and extent of service needed.

(16) Rates charged should be sufficient to keep all equipment in good repair and pay operating expenses, but as low as possible in order that all families can afford to have a telephone.

(17) Too many subscribers should never be permitted on the same party line. Usually not more than six stations per line should be installed.

(18) Stockholders should hold regular meetings to which all subscribers are invited.

(19) The switchboard should be placed with a family or person who will give it prompt, continuous, and courteous attention.

(20) Care should be taken by the operator to see that each long distance call is charged to the proper party.

(21) Arrangements should be made whereby emergency calls can be gotten through at any time, both Sunday and at night.

(22) The compensation of the manager, while it should not be high, should yet be sufficient to pay him for the time required.

(23) The length of a conversation, especially during busy hours, should be restricted to five minutes.

(24) Arrangements should be made to connect with commercial companies to secure town and long distance connections.

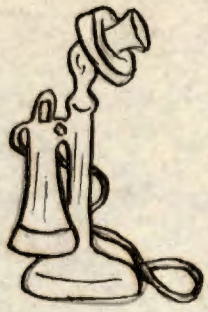
(25) It is desirable that cross-arms be used in installing the lines where more than four lines are to be placed on the same set of poles.

(26) A small reserve should be gradually accumulated by the company to take care of major repairs, make improvements, secure new switchboard, etc.

(27) Some inexpensive but effective educational work should be done. One outstanding thing that came to light on a field trip to various rural telephone companies was the lack of effort on the part of officials of these local telephone companies to do either educational work or advertising of any kind. Not only could the overhead cost per tlephone be reduced by an increased volume of business, which might be secured through advertising, but each individual's own telephone would be of considerably more value by the greater number of parties to whom calls could be made. Yet little has apparently been done by way of inducing farmers to become members. Of course, high pressure sales methods should be avoided and no promises made that could not be realized. But, some little inexpensive promotional advertising, such as the example given below, might prove a profitable investment for a small rural telephone company with only a limited membership at present.

The following "ad" of a rural cooperative telephone company appeared in the 1927 DeKalb County, Tennessee, fair catalog:

HAVE YOU A TELEPHONE?



A telephone is a necessity in every place business and in every home. We offer you free service to nearly 3000 other subscribers, and through our long distance connections you can talk to anybody, any where, at any time. You get this service for only

50¢ PER MONTH

Ours is a double metallic system and we offer prompt service by courteous operators.

ALEXANDRIA HOME TELEPHONE COMPANY.

T. F. Kitching, President U. B. Adamson, Secretary.

Note: The above constituted a full page (5 1/2 x 8 1/2 inches) advertisement that was inserted in the catalog of a local fair which was holding its 61st annual exhibition.

(28) Cooperative companies should charge more for business telephones. From our investigations it appears that most of the farmers' cooperative telephones in Tennessee do not charge merchants and other business houses any more per month for the use of a telephone than is charged private residences. This is a point on which some consideration should be given, with a view of increased revenue from that source. Merchants use the telephone more and should be charged more from that point of view; and they are benefitted more by the telephone, hence should pay more from the benefit viewpoint.

In some parts of the country it is already the practice to charge business houses a higher rate. For instance, F. W. Card(Farm Management, p. 221) says in describing a farmers' cooperative telephone in Rhode Island, "Merchants, and others who are not stockholders, are charged a somewhat higher price." In Knoxville the same principle is recognized by the commercial telephone companies, the rate of the People's Company being $5.50 per month for a business telephone and only $2.25 per month for a residence.

While this charge would not greatly increase the revenue of any cooperative company it is in line with good business practice and the principle of equity and should be put into effect.

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CHAPTER III.

OTHER EXAMPLES OF FARMERS' COOPERATIVE ACTIVITIES IN TENNESSEE.

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PART I

RRESH MEAT IN RUTHERFORD COUNTY.

PART II.

RUTHERFORD COUNTY COOPERATIVE POULTRY ASSOCIATION.

PART III .

COOPERATIVE LAMB AND WOOL CLUBS

PART IV

RUTHERFORD COUNTY FARMERS' GIN AND WAREHOUSE COMPANY.

PART I.

FRESH MEAT IN RUTHERFORD COUNTY.

The problem of securing fresh meat in summer in rural districts distant from a good meat market is one that gives many farmers much concern. Because of this difficulty most farm families depend largely on cured meats, eggs, and poultry. By midsummer everybody has become tired of eggs and fried chicken and the hams have about disappeared.

The average farmer cannot butcher a steer in the summer time because such a quantity of meat would spoil before his family could utilize it. The problem can be solved however if enough families join in butchering an animal and divide it equally among them so that each family can use its share of meat while it is still fresh.

In some localities there is a well established organization which enables the members to obtain a regular supply of fresh beef at a minimum cost. Such organizations are known as "Beef Rings", "Farmers' Beef Clubs", etc. This method of providing fresh beef has proven so successful and economical that it is deemed worthy of a trial in many more places.

That farmers can successfully cooperate for a long period of time with both pleasure and profit to themselves has been proven repeatedly in these farmer operated beef club rings.

In order that a beef ring may be operated without petty quarrels and difficulties it must be done in accordance with a fixed constitution and set of by-laws. The following sample constitution and by-laws is the one used in a beef ring of Middle Tennessee and has proven highly satisfactory. With a few alterations it can be used by any beef ring.

BY-LAWS OF MILTON BEEF CLUB.
Rutherford County, Tennessee.
(Adopted June 1884)

ARTICLE I- NAME

The club shall be called the "Milton Beef Club, Number 1."

ARTICLE II- OBJECT

Its object is to furnish to its members one beef every week, for five successive weeks, then suspending to begin again in the first week of March 1885, and continue seven weeks, including twelve beeves.

ARTICLE III- MEMBERSHIP.

Section 1. The club shall consist of twelve members. A member may withdraw after due notice given to the Secretary - before the 1st of September in each year, but not after that date, without paying to the club the price of a fat beef, or finding a substitute member acceptible to the club.

Section 2. All vacancies shall be filled by a majority vote of the full club.

ARTICLE IV- OFFICERS AND THEIR DUTIES.

Section 1. The officers of this club shall consist of a president, secretary, and butcher, to be elected annually.

Section 2. The president shall maintain order; decide all matters and dispute, subject to appeal to the club; and discharge such other duties as his office may require.

Section 3. The secretary shall keep a correct record of the proceedings of the club.

Section 4. The butcher shall clean and cut up in precisely the same manner the beeves furnished; divide into twelve pieces, weigh and hang each part on a separate hook, so that each hook shall hold the same part of beef week after week. He shall also keep in a book properly ruled the account of each member and furnish when required a statement thereof at the end of the season. For his services he shall be entitled to receive $1.00 for each beef killed, which amount shall be due from the owner when the beef is killed.

ARTICLE V - REGULATIONS GOVERNING MEMBERS.

Section 1. On the last day of the killing every member shall be present in person or by proxie. Failing to attend shall subject the absentee or member to a fine not less than 25¢ nor more than $1.00, at the discretion of the club.

Section 2. On the last day of the killing twelve successive members' names shall be put in a hat and drawn for. The members shall kill the following season in the order of names drawn. Any two members may exchange places, provided

due notice be given the butcher, of the exchange.

Section 3. On the last day every member shall settle in full with the club.

Section 4. Every member shall deliver his beef at the slaughter pen at 4 o'clock P. M., Friday, each and every week.

Section 5. The man that furnishes the beef takes the meat from hook Number 1, the next time he takes from Number 12, the rest moving up one, and so on throughout the season.

ARTICLE VI- BEEVES.

Section 1. Each beef killed shall not be over two years old and yielding not less than 4 per cent tallow.

Section 2. Beef shall be settled for at the rates of 6¢ per pound in the fall and 8¢ per pound in the Spring. Every member shall be credited with the amount of net beef furnished by him and charged with what he receives.

ARTICLE VII - PENALTY.

Section 1. If any member shall fail to furnish a beef at the proper time and place or furnish a beef with less than 4 per cent tallow or fail to make a final settlement, he shall thereby cease to be a member of the club, and can only be reinstated by a majority vote of the remaining members.

ARTICLE VIII - CALL MEETINGS.

Section 1. The president,or in his absence the secretary, may call a meeting of the club whenever its interest requires.

ARTICLE IX - AMENDMENTS TO BY-LAWS.

Section 1. Two-thirds can alter or amend the by-laws of this club at any meeting of said club after seven days notice to the club by the secretary.

QUORUM.

Section 1. Five members of the Beef Club constitute a quorum, when the club is called to order by the president.

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The above by-laws have been amended from time to time as follows:

In May 1886, Article XI was changed so as to commence killing the 4th Friday in August and kill all twelve of the beeves on successive Fridays instead of part of them being killed in the Spring of the year as was done at first.

The size of the beef to be killed was set at from 550 to 650 pounds live weight.

The price per pound of net beef to use in settlement is now noted on from year to year when one-half the animals have been slaughtered and is usually set at about twice the current price of beef on foot.

The operation of a farmers' beef club is explained in the following pages in order to show how the necessary supply of beef can be obtained for the family with regularity and at actual cost.

The Milton Farmers' Beef Club Ring. In June, 1884, farmers around the Middle Tennessee village of Milton in Rutherford County decided they would operate a Farmers' Beef Club Ring. The object was to furnish its members fresh beef every week during a period when garden vegetables began to get scarce. Their organization is now in its 44th year, which of course means that it has been popular and is rendering a worth-while service in the community.

In brief, their plan is as follows: the officers are a president, a secretary, and a butcher. Twelve men each furnish an animal weighing between 550 and 650 pounds. These are killed, dressed, and cut into twelve parts. Each member gets one of these parts and, in turn, furnishes an animal which is likewise divided.

The butcher slaughters, cuts, weighs, and hangs each part on a separate hook so that each numbered hook holds the same part of beef week after week. The man who furnishes the animal gets his meat from hook number one, and next time he takes from hook number twelve. Other members all move up one hook and so on throughout the season. This enables every member to eat all the different parts of the beef.

Animals killed must be under two years of age, fat (yield 4% tallow), and be delivered to the slaughter-place before nonn. A beef is killed every Friday for twelve weeks beginning the middle of June.

The members come or send for their cuts about 3 o'clock. Most of them use clean sacks or covered vessels to carry home the meat. This keeps the flies away from it. The meat is placed in as cool a place as possible until needed for cooking.

Each member usually gets from 20 to 25 pounds of meat. Two or more families may have a share between them in order to dispose of the meat while still fresh.

Local merchants bid competitively for all twelve hides at the beginning of the "kill." The butcher is paid $1.50 per kill out of the hide money. Hide money received in excess of what it takes to pay the butcher is deposited in a bank to the Club's credit until the end of the season, when the secretary figures up the amount of net beef both furnished and drawn by each member and calculates what each owes to, or is due from, the club, in order to even matters up all around. Settlement is then made on the basis of usually about twice the price of live beef on foot. This price is determined by vote of the membership, when one-half the beeves have been killed.

Animals kill out most net beef towards the end of the season. They have had more time to graze and get fat by that time. It has averaged 45% for the whole period.

The butcher and any two members available constitute an inspection committee to pas on animals for slaughter. Members covet the honor of furnishing the best beef of the season to the extent that but few animals have ever had to be rejected.

The writer has been present twice in different years, at their regular weekly kill, has talked to practically all the oldest members, including charter member, Mr. William Burns, who is yet President and still retains his share in the Club, and after making a very careful survey found nothing but harmony, satisfaction, and praise from the entire membership. Nine men that were members ten years ago are still active supporters of the club. Dr. Bilbro of Murfreesboro and Mr. Sam P. Fergerson, who is yet residing in the community and an ardent booster, were elected members in 1886. The former retained his membership in the club for some years after moving to town. He

found it to his financial advantage to do so as the meat cost so much less than when purchased at meat shops in town.

After extended conference with all the oldest members and from records available it is conservatively figured to have meant an average saving of four (4) cents on the pound of net beef. This is in comparison with what the same meat would have cost had it been bought at the nearest meat shop which is 14 miles distance.

Inasmuch as three clubs have operated simultaneously over a period of five (5) years, two clubs for 8 years, and one club over 43 years' time, killing as high as 36 head of cattle some seasons, the total net saving to this community figures the very large sum of $7,257.60.

The three main advantages of a club such as the one just described are, first, a supply of fresh meat regularly; second, superior quality of meat; and, third, low cost.

The plan used by the Milton Club in cutting up the beef might well be improved as follows: instead of just dividing the carcass into twelve parts, have the beef cut so that each member gets a boiling piece, a roast, and a slice of steak from each animal. This would necessitate more work on the part of the butcher with a slight increase in pay but this would be more than offset by the greater satisfaction to the housewives served.

Where distances are great or the families large a sixteen-member ring can be successfully operated and where distances are not so great and the families small a twenty-four member ring will probably prove the most successful.

In bringing about the organization of a beef ring it is, of course, necessary for some individuals to solicit memberships and call a meeting for the purpose of organizing. This should be done early in the spring when there is plenty of time for it and by organizing early the members will

have a chance to secure animals suitable for slaughtering if they do not already have them. In subsequent years, only two meetings of the club are necessary during the season--at the beginning to select officers, employ a butcher, auction the hides and to determine the dates and frequency of slaughtering with a second meeting at the end of the season to make final settlement for the year.

The order in which the members are to furnish the beef is usually established by lot for the first season and in later years the same order holds except that every member is moved either forward or back one killing period so as to equally distribute the advantage of a longer grazing period for their respective beeves.

That these clubs are popular is evidenced by the fact that there is always a scramble for entry when one of the members leaves the neighborhood.

In addition to furnishing a supply of fresh beef at a saving, such organizations teach the farmers valuable lessons in cooperation and develop an interesting social group growing out of the supply of a household necessity.

Meat Clubs in Neighboring Communities. Although the beef club at Milton has been in existance for a longer period of time than any other in Rutherford County, other clubs antedated it in that section of the country.

Lascassas, a village about five miles from Milton had a club at an earlier date and it was from them that the Milton Club got the idea of having such an organization themselves. However, because of changes brought about, through farmers moving from the neighborhood or a reduction in size of families, the Lascassas beef club has not operated continuously. At the present time, however, an active organization exists at this place and the citizens participating seem to think it would be missed very much should the club be disbanded.

Lofton, just one mile from Lascassas, also has its fresh beef weekly because of having a beef club similar to the ones already described.

Still other communities have from time to time butchered for a season or two but for various reasons have failed to maintain their clubw for very long at a time.

Eagleville, located at the opposite extreme end of the county from Milton, so we have been told, had about the same club arrangement that butchered lambs instead of beeves.

A Franklin Road group of farmers also had a satisfactory club for two years and certain individuals began to kill goat kids after the beef club ceased.

Besides personal visits to this locality on butchering days where first-hand information was secured, the blank form given below was also used in securing additional data.

BEEF CLUB INFORMATION BLANK.

Name of club. _____ Location _____

Date of organization. _____ Average number of farmers belonging to ring _____

Average size animal killed _____

Average price for beef used in settlements _____

Average price for hides sold. _____

Average butchering cost. _____

_____

Average dressing percentage of animals. _____

Average size of family securing meat. _____

(continued)

Average distance of members from butchering point. _____

How organization sprang into existance. _____

_____

Advantages and disadvantages as a source of fresh meat. _____

_____

Methods used in organization each year. _____

_____

Methods used in final settlement each year _____

Per cent of members that are land owners. _____

Per cent of members that are tenants. _____

Per cent of members that are negro farmers. _____

Average saving per lb. through home butchering. _____

Suggestions for improving the service. _____

_____

Age of men joining beef club when they join. _____

Number charter members at present. _____

Rules and regulations relative to:

1. Division of cuts. _____
2. Time and place of kill. _____
3. Who delivers live animal for slaughter? _____
4. Inspection of live animal for slaughter (accepting or rejecting off-condition animal) _____
5. Disposition of offal from carcasses. _____
6. Who gets pluck, brains, tallow, etc? _____
7. Disposition of hides. _____
8. Order in which patrons furnish animals for killing.

   _____
9. Disposition of dressed meat _____
10. Who holds money received from hides? _____

Additional Information Not Called for Above:

PART II.

RUTHERFORD COUNTY COOPERATIVE POULTRY ASSOCIATION.

The Rutherford County Cooperative Poultry Association, located at Murfreesboro, Tennessee, owes its origin to a small group of rural women who believed that greater returns could be gotten from their farm flocks through organized efforts on their part. These women were already strong believers in cooperative possibilities because of their close contact with the cooperative creamery which had proven of such benefit to the farmers. Although not particularly dissatisfied in that section with their local poultry marketing facilities, these poultry enthusiasts desired to foster a move the ultimate object of which would be to realize the highest possible market price for their poultry products.

The association really began as an egg circle in 1921. Seven members composed the group. Through the instructions of a home demonstration agent this group of women learned the importance of producing infertile eggs for market and of having their eggs clean, fresh, and well-graded.

Once each week eggs from the flocks of the egg circle members were brought together for final grading and marketing. Different members of the group served turn-about as receiver, grader, and packer of the eggs.

At first the assembling, final grading, and casing for shipment was done at the business house of a local hardware and feed merchant and the eggs were sold to local produce men who paid a small premium because of the extra quality of their product.

Increased interest in better feeding, improved housing and the practicing of better care and management of their home flocks were the im-

mediate benefits realized by members of the original egg circle. Along with these came also a desire to improve the quality of their flocks through selection and breeding of only standard type purebred fowls. Some caponizing was attempted by the more optomistic. Continued meeting and discussion of their marketing problems at the regular weekly egg pooling place and in scheduled meetings that these women arranged with poultry experts on program resulted in crystalizing sentiment in favor of launching a cooperative marketing project of wider scope and greater magnitude than the original group had at first intended to carry out.

After six months experience in selling locally, a shipment consisting of three cases of eggs was sent to Philadelphia more as an experiment than anything else. When the returns were received, however, such a margin of profit above local prices had been made that the members were very much elated. Rumors of the possible results through this manner of marketing spread rapidly. Other farm women with produce to sell became interested. Membership in the egg circle grew rapidly. Weekly receipts and shipments mounted from three cases a week to fifty. Enthusiasm ran high. The venture was creating quite a sensation. Then came the first reverse.

About the time everything connected with the egg circle appeared to be doing splendidly, an Eastern firm wrote that it was sadly in need of high quality eggs to fill a special trade it had and quoted a price of 35 cents a dozen higher than the shipments to Philadelphia were at that time bringing. The Eastern concern succeeded in getting some large shipments but when the remittance for same was sent, such rigid grading of the eggs had been done that a much reduced price was actually realized on the shipment. In fact the receipts barely covered casing and transportation costs. In view of these facts, the eastern shipments were at once discontinued and eggs began to accumulate at the local grading and packing center. To make bad matters

worse, the egg market took a sudden severe slump just at this juncture. The group of former enthusiasts were now confronted with the ardous task of disposing of a liberal quantity of "fresh eggs" on an already over supplied market. Their first thought was to hold and wait for higher prices. The egg market continued draggy for some time, though, and finally sales were made at a figure running from two to five cents per dozen below what could have been realized at first from local dealers. Needless to say, quite a number of the "late-joiners" suddenly ceased to "contribute", as they called it, and the membership once more consisted of only the original few egg circle members.

After some reflection and recalling the fact that the local creamery, in its early history, had experienced similar adverse circumstances, the egg circle members mustered up courage enough to meet and discuss plans for the future. The ultimate outcome of their deliberations was a resolve to again attempt and foster their marketing project. Cognizance was taken of the fact that their business should be better managed. This included having all the grading done by one party so as to insure uniformity of pack, selling only to reputable firms and buying of fillers, cases, etc. in larger quantities so as to effect savings that way. They realized also that to purchase and hold supplies would require both capital and storage facilities. In short, an established place of business was deemed necessary to enable the organization to continue in proper form.

After considerable deliberation and with a bit of hesitation, the egg circle membership voted to take out a charter and issue shares of stock to sell at a par value of $10.00 each. Just here, Mr. E. T. Bell, at one time local creamery secretary and friend of the egg circle movement, offered to donate a building site adjacent to his feed store. Thus encouraged, a committee of six was appointed to sell the shares of stock. This committee worked faithfully. They sold stock to farmers, merchants,

lawyers, and anybody who could be induced to buy. Many liberal business men and others took a share of stock more in the spirit of helpfulness than as a sound business investment. Soon the stock selling committee reported around $1500 in cash and good notes. A permanent place of business then began to appear more assured.

In July, 1921, erection of a building was begun on the lot donated for the purpose. It was located just across the street from the cooperative creamery and near the railroad depot -- an ideal place for this type of building, it would seem. The building, which was a large rectangular, one-story, brick building with basement under about one-half of it, was completed in October at a cost of $1165. With what funds that were left, some office fixtures, egg cases, and other equipment needed was purchased. A manager was elected and business began in the new building in January, 1922.

With the erection of a new building to be used exclusively for the marketing of poultry products together with the wider interests aroused through sales of stock, confidence in the venture was gradually regained and by the close of 1922, 130 members had either bought shares of stock or sold produce through the association. 664 cases of eggs and 1586 head of poultry amounting to about $6000 in value was marketed that year.

Mr. R. L. Hays was elected manager during the latter part of 1922 and worked faithfully to the best interest of the company. Through patience, good management, and careful grading and attention to detail, he won the confidence of patrons and business firms with whom the association dealt. A monthly report is made to the board of directors which meets regularly to transact business needing its attention.

The association buys its supplies for cash in order to take advantage of cash discounts. Sales are made on a cash-on-delivery basis. Patrons are paid twice a month--usually on the first and fifteenth of the month--for produce marketed the preceeding 15 days. This plan enables frequent returns to

be gotten on all produce sold through the organization and gives the patrons more money at one time than if cash was paid at the time of each individual purchase from patrons. By preserving the bimonthly statements handed them each time payment is made, members have a record of the returns from poultry sold and have often been astonished at the annual revenue derived from this source.

During the calendar year, 1922, 664 cases of eggs and 1586 head of poultry was handled. This had a value of around $6000. Reports on business done since that date is as follows:

October 1924 to October 1925

Dozen eggs sold,	83,678	Value $25,103.40
Pounds fowls,	47,959	Value 11,989.75
	Total ----------	$37,093.15

October 1925 to October 1926

Dozen eggs sold,	84,258	Value $26,379.56
Pounds fowls,	57,492	Value 13,939.52
	Total ----------	$40,319.08

One way in which the association has increased its returns from eggs has been through the sale of eggs for hatching purposes. A premium of 15 cents per dozen was realized by those having flocks of sufficient quality to sell their eggs to hatcheries as purebred. This extra premium proved quite

an incentive to increase the number of purebred flocks within the county and reduce the number of mongrels.

Along with more standard bred flocks came an increased interest and demand for better and larger poultry shows in connection with the county fairs. In consequence, additional money was offered in the poultry premium lists of the local fair. More extensive poultry work through boys' and girls' clubs has been done of later in the county also.

The association took out incorporation papers under date of July 22, 1922. It is capitalized at $2000. No one can own more than 1/5 of the total number of shares of stock and the shares are non-transferable. Only one vote per person is allowed and no proxies. There is no producers' contracts or membership agreement signed by the patrons and no provision for setting aside any reserve.

It is rather significant to note that 90% of the members of the poultry association are also patrons of the local creamery organization. This no doubt has been a great factor in maintaining loyalty among the members.

Another improved poultry practice brought about through the instrumentality of the cooperative association was standardization of flocks. The Barred Plymouth Rock variety of chickens was selected as being best suited to the widest adoption throughout this section and encouragement to use this kind is given at every opportunity.

Some of the results which may be directly attributed to having a cooperative poultry association in Rutherford County may be briefly stated as follows:

1. Higher quality poultry flocks.
2. Better systems of feeding and care.
3. Improved housing of poultry.
4. More frequent gathering of eggs.

5. More careful holding of eggs.

6. Closer grading of eggs leaving the farm.

7. Increased demand for poultry literature.

8. Capon industry started.

9. Hatching egg trade developed.

10. More rigid culling of flocks.

11. Extensive poultry department at local fair.

12. Better poultry disease control methods.

13. Strengthened confidence in cooperative activities.

14. Concentration on fewer breeds.

15. Higher winter egg production.

16. Increased profits from poultry.

PART III.

COOPERATIVE LAMB AND WOOL CLUBS.

Goodlettsville Lamb and Wool Club. What is said to be the oldest cooperative livestock marketing association in Tennessee, and one of the oldest in the United States, is the Goodlettsville Lamb and Wool Club located at Goodlettsville in Davidson County, Tennessee.

According to the statement of Mr. Geo. W. Jackson, one of the original members of the club, this organization came into existance in a rather unique way. His account of its formation, in brief, is as follows: In the spring of 1877 when it became time for the regular local trader or lamb buyer to make his usual annual trip of inspection and purchase of the spring lamb crop in this community, it developed that the buyer himself was real sick and for that reason sent his son around to interview the farmers. The son's estimates of possible weights of the lambs and the bids on same which he made to the farmers were altogether unsatisfactory. The sheepmen concludéd that they would be cheated out of a lot of money if they accepted the offers that were being made, so six of them got together and decided to ship their own lambs either to Louisville or St. Louis, provided they could not get what they considered a fair price from the local dealers.

The above group of men first advertised that a certain number of lambs would be delievered at a specified time later. When the date of sale arrived, only one bid was submitted. It was then that the farmers began to suspect that some unfair means was being practiced upon them.

The real truth of the matter was that the four local buyers had gotten together and come to a definite understanding; to wit, that only one bid would be made by them and the entire bunch of lambs would be divided. The price offered was 4 1/2 cents per pound for lambs weighing 60 pounds and up. The farmers felt that lambs were worth more money than this and so decided to ship a car themselves rather than accept this local bid. The shipment was made and a net price of 5 cents per pound was actually realized.

In the early history of the Goodlettsville Lamb Club, the lambs were sold on one date and the grading was done later when the date of delivery came and the lambs were being assembled. Much argument often arose between buyer and seller as to grade. The buyers would contend for a low grading of lambs. In so doing, a better classing of lambs would be gotten on the market to which they shipped and in consequence a greater profit would be made by the shipper or dealer.

The above friction as to the proper grading of lambs was remedied by first assembling the lambs, having them graded by a farmer-committee, and then offering the graded lambs to the buyers at auction with the different graded lots before them. This arrangement eliminated any possible chance for dissatisfaction on the matter of grade after sales were made because the buyers were looking at and knew just what they would be getting, when their bids were offered.

Various other methods were used by its opponents in efforts to break up the Goodlettsville Club. One accusation made was to the effect that selling by club methods destroyed the farmers' individualism in that the owner had nothing to do with selling his own produce. Some few sheepmen would sometimes sell outside the organization, but the club's price being on the average higher than outside prices was a factor which held most of

the sheepmen loyal to the club.

Commission men, at first, were also against the club because they were desirous of standing in favor with their trader-patrons, and the latter were bitterly opposed to cooperative selling.

In spite of all its early handicaps, the Goodlettsville Club grew from the small beginning of a one car shipment by only six men in 1877 to an average annual sale of 3000 lambs by 1890.

In the early nineties, however, sheep prices began to recede. Many farmers sold their flocks and turned their attention to cattle raising. For some ten years cattle prices remained good and sheep prices low, with the result that the latter business was over-shadowed by cattle raising.

Another factor holding the sheep industry in check was the dog menace. A few large losses at that time by some the growers kept many farmers from attempting to have a flock of sheep. When prices did recover, the initial cost of getting into the sheep raising industry and the greater loss per head, should any be killed, kept the number of sheep raisers low.

Prior to 1910, about the only market Nashville furnished for lambs was the few head killed by its local butchers but soon after, and by 1916, Nashville had developed a fairly good market for spring lambs. With the establishment of the Nashville lamb market, farmers who had previously marketed their lambs through the Goodlettsville Club began to haul their lambs to Nashville and sell them direct at the stockyards. This practice was not without its effect upon the Goodlettsville Lamb Club. From 3000 lambs marketed annually the number dropped to an average of less than half this number by 1917. With the advent of good roads and the use of motor trucks for transportation, the Goodlettsville Club found the number of farmers desiring to sell lambs through the club diminish-

ing still more. The ultimate outcome of all these factors has been that in 1927 no lambs at all were offered in a club-selling way, and indications are that the Goodlettsville Lamb Club has served its period of greatest usefulness and is not likely to be revived so long as farmers can truck their own lambs and sell them on the Nashville market individually.

The following reasons are given by the farmers themselves for a change in manner of marketing their lambs: less loss through shrinkage, quicker returns, and they can sell any day independently of other farmers.

In connection with the marketing of the Goodlettsville lambs, a close study was made by the club of the comparative losses resulting from shrinkage in weight when lambs were handled in various ways. This was done by the mbmers of the sales committee in order to more definitely determine when it would be to the club's advantage to foster a distant shipment involving a longer period of time and a consequent heavier shrinkage.

The above study of shrinkages revealed the fact that lambs going to Louisville or St. Louis, an average distance of 255 miles, usually lost an average of from 8 to 10 pounds per head when not sold until the second day from time of assembling and shipment. On the other hand, lambs taken from the farms, weighed locally and trucked direct to Nashville - 15 miles - and marketed the same day they left the farm, shrank only two pounds in weight. The difference, we thus see, might amount to as much as $1.00 per head when lambs were selling for $15.00 perhundred-weight. This would be equivalent to a difference in price of $1.25 per hundred-weight on an 80 pound lamb when marketed at Nashville as compared with selling on the more distant markets. No doubt this factor of heavy shrinkage which lambs undergo when separated from their dams was one of the most outstanding causes of a change in marketing methods among the members of the Goodlettsville Lamb Club.

Early in the history of the Goodlettsville Lamb and Wool Club, the wool of its members was pooled and sold at auction. This original practice, with certain changes, has continued without interruption up to the present time. The success of this organization caused many similar clubs to be formed throughout the state.

A falling off in the number of lambs sold annually was not accompanies by a corresponding decrease in the amount of wool sold through the Goodlettsville Club. In fact the amount of wool sold cooperatively has increased steadily. This increase is attributed to three things: first, more men selling their wool through the club;and second, an increase in the per head weight of fleeces due to better sheep being kept now than formerly; and third, sheep men from more distant farms are now bringing their wool to be sold in the pool at this place.

The wool sales are conducted in a manner similar to that of selling the lambs. The same sales committee handles both propositions. The club holds a meeting in the spring when each member reports the number of lambs and the amount of wool that he will likely have to sell.

The day for the wool sale is advertised so that prospective buyers may be on hand to see the fleeces and submit bids. The wool is graded into four grades; namely, clear wool, light burry, medium burry, and hard burry. The wool is weighed by grades and sealed bids are received by the sales committee. It is sold with the purchaser having the privilege of reweighing the wool when it is taken up at the shipping point. It is held at the farmer's risk until sacked and loaded on car, which is done at the pool's expense. Cash or its equivalent are the terms of the sale.

Expenses are made proportionate so that small and large producers share equal advantages in marketing both lambs and wool.

The exact date of holding the wool pool sale is determined after consultation with state marketing specialists who cooperate in scheduling a series of such sales over the state.

The business set-up of the Goodlettsville organization is very simple. Its officers consist of a president and secretary-treasurer who, with three other members, form an executive committee of which the secretary-treasurer is chairman. There is no contract between the pool and the grower. The pool depends upon results for patronage. Farmers support it voluntary and without coercion.

The amount of wool sold through the Goodlettsville Pool and the value of same sold for recent years is shown below:

Year	Pounds Wool Sold	Amount Received
1927	7,044	$2,785.74
1926	6,855	2,781.24
1925	4,765	2,161.69
1924	5,941	2,377.25

In connection with the above sales it should be remembered that one of the largest wool pools in the state is held only about 20 miles distance from Goodlettsville. It is at Gallatin in an adjoining county to that in which Goodlettsville is located and, no doubt, considerable wool goes to Gallatin that would otherwise be sold through the Goodlettsville club. Around 40,000 pounds of wool was pooled and sold by farmers at that place in 1927.

Mt. Juliet Lamb and Wool Club. Mt. Juliet, located 18 miles north-east of Nashville, in Wilson County, boasts of having one of the oldest lamb and wool clubs in Tennessee that has conducted both lamb and wool sales each year since it was organized. This club was formed in 1891 which was just 14 years after the Goodlettsville Club was started.

The Mt. Juliet Lamb and Wool Club has been managed much the same as has already been related in describing the operations of the Goodlettsville Club.

Early in the history of its organization, the Mt. Juliet Club adopted a code of by-laws and all its subsequent operations have been in close conformity thereto. Copy of the original by-laws follows:

Section 1. This organization shall be known as the Mount Juliet Lamb and Wool Club.

Section 2. Any person engaged in raising sheep may become a member of this Club by making application to the same either in person or in writing at any meeting of the Club, provided the applicant receives a majority of the votes of the members present, and subscribes to these By-laws.

Section 3. Any member who sells his wool or lambs otherwise than through the Club, except for breeding purposes, shall forfeit his membership.

Section 4. The officers of this Club shall be a President and Secretary, who shall be elected annually at the annual spring meeting of the Club.

Section 5. It shall be the duty of the President to preside at the meetings of the Club, appoint committees to transact business for the Club, and to notify the Secretary to call meetings of the Club whenever he deems it necessary.

Section 6. It shall be the duty of the Secretary to keep a record of all the proceedings of the Club, to issue calls for meetings when ordered by the President, to record the names of members in a book kept for the purpose, and to keep a record of the sales of lambs and wool made by the Club. This record must be in the form of a pay-roll, showing the number, weight and price of lambs, the weight, class and price of wool delivered by each member, and the net amount of money to which he is entitled. He shall be ex-officio a member of the Committee on Sales of Lambs and Wool, and shall receive for his services

$2 for each meeting of the Club, the days of delivery of lambs and wool being counted as meetings.

Section 7. It shall be the duty of every member to attend the annual spring meeting of the Club, which shall meet the fourth Saturday in March, at 1 o'clock P. M., and report in person or by proxy the approximate amount of wool and probable number of lambs he will have for the first delivery, and on failure to do so it shall be optionary with the Executive Committee whether they receive his lambs and wool or not.

Section 8. At the annual spring meeting it shall be the duty of the President to appoint two discreet members to act with the Secretary as a Committee to sell the lambs. The sale shall be made by advertising for and receiving sealed bids till such time as the Club may direct, at which time the Committee will open the bids and award the lambs to the best bidder.

The Committee shall be at the scales on the day of delivery, and if any member offers lambs under the weight, or not in the condition agreed upon in the sale, it shall be the duty of the Committee to reject such lambs.

The Committee shall hire such help as may be necessary to handle the lambs and to assist the purchaser to load them on the cars. The members of this committee shall receive $1.50 for their services on day of delivery.

Section 9. It shall be the duty of the President, at the annual spring meeting, to appoint two discreet members to act with the Secretary to sell the wool belonging to the Club at such time and in such manner as the Club may, from time to time, direct.

Section 10. All expenses of sales, advertising, etc., shall be assessed by the Committee pro rata, and deducted from the proceeds of each member's lambs or wool before the pay-roll is made out.

Section 11. These By-laws may be amended by two thirds of the members present at any annual spring meeting, or at a meeting called by the President for that purpose, provided the call for such meeting be posted in three public places at least ten days prior to such meeting.

A letter under date of August 19, 1927, written by Mr. J. S. Hatfield, secretary of the Mt. Juliet Lamb and Wool Club, gave the amount of business transacted through the club during various years as follows:

Year	Number Members	Amount of Sales
1900	55	$ 2,383.39
1905	55	2,578.53
1910	90	12,403.41
1915	83	11,596.91
1920	86	17,005.50
1925	65	13,476.25
1927	58	9,250.65

According to the statements of farmers interviewed, sheep growers in the vicinity of Mt. Juliet have profited through the organization. They have gotten better prices for both lambs and wool; have improved their flocks through the use of purebred sires; and have learned some valuable lessons in cooperation. The club has benefitted not only the immediate community which it serves but also sheep growers elsewhere as well. Growers in other sections have been encouraged and inspired to organize similar cooperative pools.

The secretary above mentioned stated further that they did not expect an increase in the volume of their sales because of the club's nearness to both Nashville and Jacksonville ~~,~~ cities calling for more truck gardens and less sheep.

Perhaps one thing that has contributed as much to the success of the Mt. Juliet Club as anything has been the fact that for some thirty years the same secretary virtually had charge of the affairs of the organization and conducted it in a very businesslike manner.

Just as other similar clubs near Nashville have done of late, the Mt. Juliet organization appears to be falling off in number of lambs sold annually, and at the same time selling an increased amount of wool.

In reply to the question as to what had been some of the main difficulties that the Mt. Juliet Club had had to contend with, Mr. J. S. Hatfield, who was for a long time its very efficient secretary, mentioned two things; first, interference by local livestock traders and wool dealers; and second, selecting the best dates for lamb sales. The former problem has already been discussed in connection with the opposition encountered by the Goodlettsville Lamb and Wool Club. The two clubs were almost identical as to the cause of their origin and in the methods used to establish themselves.

With reference to selecting the best dates for selling the lambs, it

might be stated that there always exists some difference in the age of the main group of the various farmers' lambs, and in consequence a difference in preference as to sale dates. This preference is further intensified by the fact that some farmers take much better care, and use better feeding methods in growing their lambs than do others and thereby advance the date on which it would be most advisable to sell.

With many years of experience now to its credit, the Mt. Juliet Club has long since ironed out practically all the little causes of friction. The matter of setting a definite date for selling the lambs is now left altogether to the sales committee which is composed of the club secretary working jointly with two other club members. The latter are appointed by the president each year at the annual meeting of the club members, which is held the latter part of March.

PART IV.

RUTHERFORD COUNTY FARMERS' GIN AND WAREHOUSE COMPANY.

A study of some of the farmers' cooperative activities in Tennessee, such as has been reported in the preceeding pages, might be considered somewhat one-sided should it contain only a description of enterprises that have succeeded. In this connection, it should be remembered that there have been some dismal failures along with the successes. A typical case of one such failure is given below.

For some years prior to 1919, the cotton farmers around Murfreesboro in Rutherford County, Tennessee, had felt that they were somewhat at the mercy of local buyers when it came to marketing their cotton. During that time virtually all the cotton sold on the Murfreesboro market was bought by two local cotton dealers who operated their own gins and bought and sold cotton somewhat under a "gentleman's agreement" arrangement. In other words, they were non-competitive and consequently operated on a wide margin of profit. Since these two firms owned all the gins at this point and cotton was marketed almost exclusively in the seed, it was a situation in which the two local dealers practically had a monopoly on the local cotton trade.

Another factor having to do with the establishment of a farmers' gin at Murfreesboro was the organization of a County Council of Agriculture - later converted into a Farm Bureau - at about this time, which fostered a move to secure the adoption of improved varieties of cotton in that section. In order to best keep varieties pure, it was thought advisable to have a cooperative gin so that particular attention might

be given to avoiding the mixing of varieties during the ginning processes. Considerable difficulty had been encountered by farmers in their efforts to get the private ginmen to clean their gin stands and thus assist in keeping the seed stocks pure.

A third reason for Rutherford farmers undertaking a cooperative cotton gin was due to the fact that dairymen in this county had so successfully operated a cooperative creamery. Realizing what benefits had accrued to other farmers from that source, the cotton farmers anticipated a like favorable return upon their gin investment.

Still another condition existing at Murfreesboro that encouraged the starting of a cooperative gin was the difficulty that farmers had had in getting their cotton ginned in case they wished to hold it in baled form for possible better prices later in the season. The then existing gins were loathe to do custom work except when the gins ran short of cotton of their own purchase on which to work.

Yet a fifth source of dissatisfaction among farmers was the high cost for even the poor service received when custom ginning was done. Five dollars per bale, including bagging and ties, was the usual charge for ginning, while other cotton sections were getting this work done for less money.

With the idea of correcting the evils above mentioned and in hopes of even greater accomplishments, some of the leading farmers launched a move to have a farmer-owned cooperative cotton gin. To this end, shares of stock were issued and sold at a par value of $25 each. Little trouble was experienced in inducing farmers to invest in the undertaking. It was not long until 1467 shares of stock had been sold and the Rutherford County Cotton Gin and Warehouse Company was incorporated under date of

December 16, 1919.

A one-story type of gin was decided upon in preference to the usual two-story kind. This decision was made for two reasons: first, one-story construction permits operation with less vibration and therefore with less wear, tear, and friction; and second, cheaper insurance rates because of the lower fire risk in one-story gins with earth or concrete.floor.

Two batteries of four gin stands each were equipped and electric motors were purchased and installed to furnish power for operation.

Business was started with an investment in machinery equipment, etc. amounting to $56,000.

The "Farmers' Gin", as the Rutherford County Farmers' Gin and Warehouse Company was commonly called, encountered considerable antagonism from its local competitors. The latter made the accusation that the farmer-owned gin did not give as good a turn out of lint cotton as did their gins. They also criticised the management and kept their own buyers active in efforts to buy up as much of the cotton crop as possible. Later a gin was started in a building adjoining the Farmers' Gin.

Operating the above gin resulted in the management paying the stockholders a dividend of 6% in 1920; 8% in 1921; 8% in 1922; 6% in 1923; and 6% in 1924 when dividend paying ceased.

Under date of October 20, 1927, Mr. A. N. Miller, former secretary of the company, says, "For the last three years we have had no buyers on the yards, and one cause of our failure is attributed to this very thing."

He stated further that the farmers' gin was too large, after two other private gins were built as competitors to it. Also that the erection of a pencil mill beside the farmers' gin raised the latter's

insurance rates to $7.80 per $100, which was very burdensome to carry.

Dr. S. B. Smith, a director in the company, stated that he thought a lack of support from stockholders and bad management were the reasons for liqidating.

According to the constitution and by-laws of the Rutherford Cotton Gin and Warehouse Company, officials of the company were prohibited from dealing in cotton. At first, successful efforts were made to keep cotton buyers on hand who were not "lined up" with competing gins. This proved very difficult to continue, however, because cotton farmers in this section had long been accustomed to marketing their cotton in any quantity as seed-cotton, and outside buyers did not choose to buy seed-cotton, particularly in less than bale lots. The results from a ready-market standpoint were unsatisfactory and in consequence many pattons of the Farmers' Gin carried their crops to the competing ginmen who were buyers as well as gin owners, and who paid cash for any amount of cotton the farmers might want to market at any time.

The amount of cotton ginned annually by the Farmers' Gin is shown below:

Year	Number of Bales Cotton Ginned
1922	2883
1923	2864
1924	2085
1925	2175
1926	680

It will be noted from the above figures that the number of bales of cotton ginned each year gradually ddclined from 1922 to 1925, and experienced a suddenly rapid drop to less than 700 bales in 1926, which proved altogether too low an output for profitable operation.

When the Farmers' Gin could no longer be operated at a profit, the board of directors decided to liquidate the company's business. The property was therefore sold at auction. The amount realized from the sale for both real estate and gin equipment was only $5,175.00.

After paying all outstanding debts of the company, the stockholders received only 3 1/2 cents on the dollar in final settlement.

Stated briefly, then, the causes of failure of the Rutherford Farmers' Gin and Warehouse Company can be attributed to:

1. Lack of market facilities.
2. Competition of private gins.
3. Small volume of business.
4. Bad management.

No doubt Rutherford County farmers learned many valuable lessons while fostering the above enterprise that will prove of much value to them should similar organizations be undertaken at any time in the future.

Finis.