

SEARCHING INQUIRY

JOINT LEGISLATIVE COMMITTEE DELVING DEEPLY.

Insurance Department of the Office of Auditor of Public Accounts Being Thoroughly Overhauled and Investigated—Synopsis of Evidence.

LINCOLN, Neb., Feb. 23.—The joint committee appointed by the legislature to investigate the insurance department of the office of auditor of public accounts held a session yesterday and considerable evidence was brought out hearing on the matter.

The auditor was represented by Wilbur F. Bryant of Hartington, and Ed P. Smith of Lincoln, ex-deputy attorney general. The legislative committee comprises Senators Prout, Currie, Hale and Representatives Evans, Fisher and Weaver. Mr. Fisher conducted the examination in chief, though all committeemen asked questions. Senator Prout presided as chairman. The examination was listened to by a large number of people.

Previous to the examination taken yesterday morning, the testimony taken in executive session was read. Auditor Cornell was put upon the stand, and during his examination Messrs. Palm and Simpson were excluded from the room.

The testimony read showed that Mr. Cornell, as auditor, kept no record of examinations made of companies. Information concerning companies was transmitted to him that he might know their condition. Mr. Cornell stated that he did not think all private advices of this nature had been kept. He had a private letter book in which he kept copies of private correspondence. He was asked if the committee had invaded his private correspondence. He replied that he had given his consent to the committee taking everything of an official nature, but some letters were taken which should not have been taken. He would not say what particular letter it was.

He was asked by Fisher if it wasn't a fact that the only letter he objected to being taken was one in which mention was made of sending him some papers.

"I objected to my private letters being taken."

"That was the letter from D. T. Waggoner and it was left on your desk," said Mr. Prout. "Was not that the one?"

Mr. Cornell thought this letter had been taken with the rest. The committee assured him it had been left on his desk. Mr. Cornell proceeded with the narrative of his duties. He assisted in the examination of the Royal Oaks at Omaha and the Star of Jupiter at McCook. He had received fees for doing other work for insurance companies like appraising property. In New York he had looked through the books of a Security company during the winter of 1897 with Mr. Palm. Some special work had been done for the New York Life had been in the nature of appraising property in Omaha for which he had received \$7.50 as a fee. R. M. Taylor secured \$5 of this for assistance, and the rest was for the auditor's expenses.

"What is the fee for filing annual statements by insurance companies, Mr. Cornell?"

"The law will tell."

"Can't you answer without referring to the law?" asked Mr. Prout.

"I think it was \$20 or \$50 or something like that. The law will tell."

"Did you ever waive such a fee?"

"No, sir; I never did."

"What does the statement mean in a letter dated from New York November 8, 1897, from the American Fire Insurance company in which the company thanks you for waiving the \$20 annual fee?" said Mr. Weaver, reading from the letter.

"I don't know," answered Mr. Cornell, after taking a long look at the letter handed him.

"Did you waive that fee?"

"I did not. I don't tend to all the details of my office."

"Did you ever see the letters before?"

"I don't remember the letter."

"Should your fee book show whether that fee was paid?"

"It should," said Mr. Cornell.

The book was sent for and while the messenger was out, Mr. Fisher asked to whom a letter on page 33 of the auditor's private letter books was sent.

The auditor looked over the leaves carefully and could not find the page.

"The page is gone, as a matter of fact, is it not?" asked Mr. Fisher.

"Yes sir," said the auditor.

The same question was asked concerning pages 35, 37, 43, 47, 45, 49 and 58 with similar replies. The index did not show the names of the parties to whom the letters on the missing pages were sent and the auditor did not remember ever tearing a leaf out of the book except when the copies were illegible. This was volunteered by him after the investigation had gone on to other matters.

Mr. Cornell was next questioned as to fees of examiners. He said that if an examiner should put in a bill for \$80 for two hours' work examining an insurance company it was excessive and wrong. He had never approved such a bill as far as he knew.

The question was then asked if he had ever approved a bill of \$210 to the American Fire Insurance company of New York for an examination of only a few hours' duration by Mr. Palm and Mr. Gillan. A letter was submitted to the auditor dated February 14, 1898, bearing on the matter containing a healthy remonstrance against the charges of the examiners. Mr. Cornell said his attention was called to the matter by a telegram, and he had replied that if the charges were all right they should be paid. He added that no examination could be made in two hours.

"Did you make them pay the bill?" was the question put.

"I don't remember. I don't think

they paid it, but I believe they settled it some way with Mr. Palm."

A letter was read from the Victoria Fire Insurance company of New York protesting against excessive charges of examiners and refusing to pay same only on requisition from auditor. Mr. Cornell thought the requisition was made. He was asked if he would discharge an examiner whom he knew was charging more than his services were worth. He replied that he would and that he considered it dishonorable for an examiner to do so.

The following letter was then read: Hartford, Conn.—Hon. J. F. Cornell, Auditor of Public Accounts, Lincoln, February 11, 1898.—I shall try to make the bill large enough for you to be remembered. We got \$100 apiece from the Hartford Fire.

O. W. PALM. He was asked if he discharged Mr. Palm when he saw that letter. He said he did not, nor did he refuse to issue more commissions to Mr. Palm. He said in regard to the sharing of fees with him by Mr. Palm that possibly Mr. Palm might have intended to make him a present. He had some conversation with Mr. Palm in which he discontinued that gentleman's attitude in desiring to share fees. The auditor admitted that some conversation had been had on the subject.

A letter from Hartford, Conn., dated February 5, 1898, to the auditor from Mr. Gillan was read. In the letter Mr. Gillan refers to trouble had with the Travelers' Insurance company; that the president of the company wanted them to take the report of the state examiners. After much trouble the matter was compromised for \$200. Mr. Gillan expressed sorrow that Mr. Cornell could not come in on the amount, as it was hardly sufficient to pay his and Mr. Palm's expenses. Mr. Cornell was questioned closely in regard to this letter and also one from Mr. Palm along the same lines. He could see nothing wrong in their course and did not recall them.

At the afternoon session a letter from Palm and Gillan written in New York was shown to the auditor. The letter contained a request for an order to examine a certain company. The letter contained an outline of a message which the writers wanted the auditor to wire them. The auditor said he did not remember what the letter meant.

Mr. Weaver asked if Palm and Gillan were not junketing in the east and whenever they wanted to examine a company they wired him for an order. The auditor did not understand that it was a junketing trip.

He denied that he had ever commissioned an insurance agent or anyone interested in an insurance company.

A letter from I. H. Odell, dated January 23, 1897, was read. It protested against Palm's appointment. The auditor said that upon receipt of the protest he had examined into the matter and found that Mr. Palm was not an insurance agent, having turned his business over to his wife. The auditor denied that the National Life of Vermont withdrew from the state because it could not secure a license and that a license was refused because it would not pay Palm's bill for examination. Mr. Palm did not examine the company. Some facts were brought out about a \$2,000 policy in the Union Life Insurance company of Omaha. It had no particular bearing on the purpose of the investigation.

Mr. Fisher questioned the auditor closely about the trips of his nephew, J. A. Simpson, to Topeka to examine the National Aid association. Mr. Simpson's charge was \$100, or \$25 a day. The auditor said he did not know whether Simpson had a pass to Topeka or not. He did not remember getting a pass for him. He thought \$10 a day was enough for fraternal insurance companies.

Ed Smith asked the auditor if there was any provision of law requiring insurance examiners to turn fees over to the state, either any portion of his fees or an excess of a certain amount. The auditor said there was not.

"Or a law requiring an examiner to turn over any part of his fees to the auditor as a compliment?" asked Mr. Evans.

"No, sir," answered the auditor.

Mr. Smith then tried to show that if an examiner charged reasonable fees and should receive as much as \$10,000 in a year there was no law requiring any part of it turned over to the state. It might be a defect in the law, but he believed all would admit that such was the law.

"Did you ever have any agreement, directly or indirectly, with any examiner whereby you were to get any part of the proceeds of any examinations made out side the state of Nebraska?" asked Mr. Smith.

"No, sir," replied the auditor.

In regard to letters in which examiners indicated their intention of making the auditor a present or doing him favors, the auditor testified that no such promises had ever been fulfilled.

The following statement showing fees collected by Mr. Palm and Mr. Gillan was presented by the auditor:

EXAMINATIONS BY O. W. PALM.

Table listing examination fees for various companies like National Surety Co., New England Mutual Life, etc.

EXAMINATIONS MADE BY O. W. PALM AND THOMAS H. GILLAN.

Table listing examination fees for various companies like Hartford Fire, Travelers, Fidelity & Casualty, etc.

Mr. Palm was called to the stand. He testified that he had been an insurance examiner seven months in two years. He admitted that when he was in New York he got commissions from the auditor on applying for the same; that he had commissions in his pocket or on the way.

Mr. Palm was questioned closely in regard to his statement of fees. He said he had no memoranda from which he made up the statement; that it was made up from memory and was substantially correct; that the charge

for each company could not possibly be over \$25 out of the way; that when he was not certain he took the larger amount; that he kept the fees, with the exception of what he paid Mr. Gillan.

Mr. Palm denied that he paid any money to Auditor Cornell, even for campaign expenses; that he presumed that whatever he wrote to Auditor Cornell was correct at the time.

Then the Hartford letter was flashed on Mr. Palm, a letter in which he said the examination in that case would be made large enough so that Auditor Cornell "would be remembered."

Mr. Palm said he had thought of making a present to Mr. Cornell, but he had not done so and the auditor had never asked him for money.

The committee asked Mr. Palm if he had not testified before the governor's committee that he had never written the auditor any other peculiar letter except the so-called "hold up" letter. He said he had not. What he did say was that this was one of the unfortunate ones that had fallen into Mr. Lighty's hands.

In regard to instructions Mr. Palm said the auditor had told him to be moderate and to charge not more than \$10 a day and expenses for examining within the state. He thought his time was worth more. He said outside the state he had charged \$100 a week and expenses. In New York he and Mr. Gillan had charged \$40 a day for the expenses of both together. The expenses depended on the amount of traveling done.

He was asked if he ever offered a present to a member of the present legislature. After studying over this matter Mr. Palm said he did remember that there was a bill before the legislature and that insurance agents were interested in having it passed. A friend of his in Omaha told him to tell Representative Weaver that if he would look after the measure \$100 would be paid him if he was put to any extra labor. Mr. Palm said his friend was ready to pay the money. He also said that Mr. Weaver said he would not take it; that if a check were sent he would send it back.

This ended this branch of the investigation. Mr. Weaver, who was present during the testimony, explained privately that the bill in which insurance agents were interested was house roll No. 187, its purpose being a laudable one in his opinion, being the prevention of "overhead insurance."

At the afternoon investigation Auditor Cornell's attorney offered several pages of official records for the purpose of showing that there was no fee from the insurance company that had written a letter thanking the auditor for waiving the usual fee.

PALM UNDER FIRE

The Examiner Tells Investigators of His Work in the East.

LINCOLN, Neb., Feb. 24.—The legislative investigating committee appointed to investigate into the affairs of the insurance department of the auditor's office, resumed its labors yesterday morning at 10 o'clock, O. W. Palm being in the witness chair. Mr. Palm was asked whether he had, in investigating eastern insurance companies, inquired as to whether they had contributed largely to the campaign funds of national party organizations, and whether he would report such contributions as unauthoritative expenditure of funds. His answer was that such contributions were the business of the companies, and unless they were rendered insolvent thereby were not the concern of examiners.

Being questioned as to a letter he had written Mr. Cornell, saying that Nebraska and South Dakota were hardly competent alone to investigate certain large concerns, he explained that such examination for the benefit of but the two states would put the companies to an enormous expense, which they would hardly feel justified in incurring unless for the satisfaction of a number of states. Such examination would require much time and a large number of assistants, although the skill required would be more than in examining smaller companies.

He had agreed with Mr. Cornell that the New York Mutual Life, having just been investigated by ten states, should hardly again be put to the expense of a thorough examination by Nebraska and South Dakota alone. He had, however, entered the office of the New York Mutual and looked over their books and securities for which he had charged no fees, although the company paid his expenses.

Referring to a statement in his letter regarding Eugene Moore's conviction, he said that Mr. Moore had not been delinquent in the matters of examiners' fees, as such fees in no way belonged to the auditor or his administration.

Regarding a letter he had written Mr. Cornell December 1, 1897, in which he expressed the belief that the New York Mutual was not going to submit to an examination by himself and Mr. Kipp, the South Dakota examiner, Mr. Palm said he thought at the time that the company would rather withdraw from the state than incur the expense of their examination. They had, however, taken him through the office and "shown him around."

Mr. Palm's attention was called to a letter written him by the Svea Insurance company in August, 1898, regarding his appointment of agents for the company at Plattsmouth. Mr. Palm said he had not notified Mr. Cornell of his withdrawal as special agent for the company.

Mr. Palm said he had never withheld from Mr. Cornell a single cent of money rightfully belonging to the auditor, neither had he ever paid him a cent to which he was not legally entitled. Neither had he, while east, drawn on Mr. Cornell, although he had been told that if necessary it was his right and privilege to do so.

When the Royal Oaks of Omaha had been unable to pay examination fees he had presented a voucher for \$37.50 on the state treasurer for his services, of which he was to pay Mr. Cornell \$10 for his assistance in the examination. Mr. Cornell had told Mr. Palm that he should be reimbursed for his services and some one had told him further that there was a fund in the treasury available for that purpose.

Questioned as to his letter of February 1, 1898, in which he wrote to Mr. Cornell that they received but \$100 apiece for their examination of the Hartford Fire Insurance company, Mr. Palm said that \$300 was received; \$100 was necessary to pay expenses, which left Mr. Gillan and himself \$100 apiece. This letter is the one in which Mr. Palm wrote that he would try to remember Mr. Cornell.

Mr. Palm said he knew very little about the auditor's office, as he was seldom there, but he would guarantee to find there the insurance reports he had sent in.

Prior to his duties as examiner Mr. Palm said he had been for three years an insurance agent; before that he was a bookkeeper in the German National bank of Lincoln, at "probably \$50 a month." He commenced bookkeeping at 14 years of age, and has been at it ever since. He had been bookkeeper for the Ewing Clothing company for about four years at \$75 a month. He had also been bookkeeper for a Wahoo firm. His first experience as an examiner of insurance companies was in 1897, under Auditor Cornell.

In January, 1898, he examined in Hartford the Hartford and Travelers insurance companies.

Mr. Lighty had told him that the Travelers should be examined, as they had refused the Kansas department permission to examine them.

The Hartford was owned by the New York Underwriters. He had spent about four days examining in New York as to the Underwriters' method of doing business, for which he received \$300.

He could not remember how much the Mutual Life of New York had paid as his expenses; did not know that it was as much as \$350. No other New York company had paid him a cent for his expenses.

He had not examined the New York Life, although he had called on them, as he was examining the National Surety company in the same building. The New York Life paid him no money. The Weed and Kennedy company paid him all told about \$240. That included his expenses. He did not think the two of them spent over a week examining these companies. He had made a thorough examination of the companies, and detailed the work done by him in his line.

The Victoria of New York he charged \$100. He and Mr. Gillan spent two days doing this work.

The Penn Mutual of Philadelphia he charged \$100. He did not examine this company. The company had been examined just previous to the arrival of himself and Mr. Gillan, and at the request of the president and the company and with Mr. Cornell's permission he accepted this examination as satisfactory.

The State Mutual of Wooster, Mass., he charged \$240. He spent about a week doing the work.

He said he regulated his charges according to the strength of the companies.

"You tempered the wind to the shorn lamb, did you?" asked Chairman Prout.

"I sort of did. The only thing I regret is that I did not charge more," was the answer.

He examined the Fireman's of New York, spent three days and charged \$65.

All his charges were on the printed list, save that of the Mutual of New York had paid his expenses.

Asked how much board he paid a day he said:

"That depends upon the company I was with. I didn't stop on the American plan—I stopped on the European plan."

He waited over a week for the decision of the Mutual and they paid his expenses while waiting.

His eastern trip covered about six months' time.

Senator Prout asked: "I will ask you, Mr. Palm, as an expert, don't you know it would cost more than you have charged any of these companies to make a thorough examination?"

"It would not if a man would work for \$2."

"But you are not a \$2-a-day man?"

"Well, at my rates, the companies could not be thoroughly examined for those charges."

He had examined the German Mutual of Omaha—had received, he thought, \$20 or \$26 therefor. He paid none of this fee to Mr. Cornell. He was certain of that. This was in 1897.

In 1898 he examined again to see if the company was issuing "joint stock policies." He had a man buy a policy to find out. For this he received, he thought, \$25. The check had been sent Mr. Cornell, who turned it over to him.

Questioned by Attorney Bryant for Mr. Cornell, Mr. Palm testified that he had been educated in Sweden; he went to school and worked on books in the evening at the same time. He began going to school at about 15 years of age and quit at about 18. He was then employed as a bookkeeper in a wholesale house in Sweden at 1,800 crowns, board and rooms. A crown was worth about 25 cents, but went as far in Sweden as a dollar did here. He came to this country in 1880, when 23 years of age, and could not then talk English.

His insurance business here had not been confined to soliciting; he also wrote and issued policies.

Mr. Palm testified that as examiner under Mr. Cornell he worked only at specific times under specific commissions.

At no time had he paid any portion of his fees received as insurance examiner to Mr. Cornell. He never expected to and did not now intend to.

Mr. Weaver asked why he had made such promises in his letters and had not lived up to them.

"Well, I did not get money enough, as I stated."

Captain Fisher asked if his idea of "a thorough examination consisted in being courteous to the big companies." The question was not answered.

Mr. Palm testified that Mr. Moore's shortage had to his understanding, consisted in retaining certain legal fixed fees.

Mr. Palm said he had in his possession a letter from Mr. Lighty. He did not wish to produce it.

"Do not wish to betray any man's confidence entrusted to me in a personal letter; I do not think it honor-

able nor right," said the witness with an exhibition of self feeling.

He was then peremptorily ordered by Chairman Prout to produce the letter at the next sitting, after which the committee adjourned until 7:30.

At the evening session Mr. Palm presented the Lighty letter in which that gentleman mixed politics and business. It is too lengthy for appearance here. The letter showed that Mr. Lighty was desirous of forcing all insurance companies an examination, and he warned Mr. Palm not to forget that Montpelier company that had written so insultingly last spring.

After the letter had been read Mr. Fisher took Mr. Palm in hand and extracted some interesting testimony in regard to the kind of a time Mr. Palm experienced during his two weeks' stay in New York City. The witness was questioned closely about theater tickets and cab hire. He finally admitted that he had a "hot time." He denied, however, that Auditor Cornell joined him in all things because Auditor Cornell's ideas of a good time were now in accord with his own. The committee wanted to know whether the insurance companies paid the expenses of the "hot time."

In asking questions Mr. Fisher displayed considerable expert knowledge about "good times" and the witness had difficulty in answering.

Mr. Palm said the auditor felt satisfied to take the examination of other states in certain cases when the examinations were thought to be reliable.

Mr. Bryant examined Mr. Palm and asked if he remembered the contents of the Lighty letters he had destroyed. Mr. Palm said he could not remember. He had saved one simply as a souvenir from Mr. Lighty, as showing that Mr. Lighty had curiously mixed politics with business. He wanted to keep it, and in answer to a question from Mr. Prout, said he would consider it a favor if the committee would return this one to him after making such use of it as was deemed necessary.

"Did you not mix politics in business in writing to Mr. Lighty?" asked Mr. Prout.

"No, sir; not that I know of."

"Did you write Mr. Lighty that if he would take care of the pops you and Mr. Gilchrist would take care of the democrats?"

"Not that I know of."

Mr. Prout then sent for some of Mr. Palm's letters to prove this point. The letters were found to have been locked up in a vault. There not being a quorum the committee adjourned.

GILLAN'S TESTIMONY.

Examiner Palm's Assistant Tells Committee What He Knows.

LINCOLN, Neb., Feb. 25.—Mr. T. H. Gillan of Auburn, who was insurance examiner under Auditor Cornell, and accompanied Mr. Palm on his eastern trip, was in the witness chair before the legislative investigating committee yesterday. Mr. Gillan gave his business as that of abstractor, in which occupation he had been engaged at Auburn since 1892.

In January, 1898, Mr. Gillan testified he left Lupton, Pa., for Montpelier, Vt., to assist Mr. Palm in insurance examination, on notice received from Mr. Palm. He had, about Thanksgiving, 1897, been informed, without solicitation on his part, that he would be accorded such a position. About Christmas he left to visit with relatives in Pennsylvania, and on January 24 left them to proceed to Montpelier, as stated.

He had never met Mr. Palm until he met him at Montpelier, although he had seen him at conventions. Mr. Palm and the witness then proceeded to the office of the National Life Insurance company, which Mr. Palm had a commission to examine.

Returning to Montpelier, the questions of Captain Fisher brought from Mr. Gillan the testimony that he, with Mr. Palm, had entered the office of the National Life, but that he personally never got further than the lobby of the building.

On January 27, they left for Hartford. There the Hartford Fire Insurance company was examined.

"I did not work," said Mr. Gillan, "in the examination of this company."

"Did you share any of the proceeds of the examination?"

"When we left Hartford Mr. Palm gave me \$200 or \$205."

"What was this for?"

"He said that was what I was entitled to for my time and expenses."

"They were nine or ten days in Hartford. Witness made no examination of any company there himself, nor did he assist in any examinations."

"How did you dispose of your time while there?"

"Well, I arranged with Mr. Palm that I should stay at the hotel, waiting for him to come and get me to work."

Mr. Gillan had been once at the office of the Hartford Fire company and twice at the Travelers, not longer than fifteen minutes at any time. On one of these occasions he met Mr. Battersen, president of the Travelers.

"You do not know what Mr. Palm charged these companies, do you?"

"I don't know what he charged any of them. He collected the money and gave me what he thought was right."

The letter written February 4, 1898, from Hartford, Mr. Gillan said he very foolishly wrote at the request of Mr. Palm:

"I wrote it in the language he gave to me, using the pronoun 'we,' of course."

"Why was it necessary for you to supplement what he wrote by writing the same thing over again?"

"I do not know. In fact it was not necessary."

"Did he dictate the letter to you?"

"Practically he did."

Being questioned, seriatim, sentence by sentence, as to the contents of the letter, Mr. Gillan confessed he knew nothing whatever about its subject matter.

"When Palm and you first talked about the charge, what did he say it ought to be?"

"I do not remember. I noticed he was very angry about something."

Questioned further, Mr. Gillan remembered that Mr. Palm said he should have at least \$400, and finally took \$200.

"I think we got all we deserved," was the confession of the witness. "Did not Mr. Palm frequently

charge more than he expected to get?"

"Well, he several times accepted less than his bill called for."

Questioned about the "complimentary" mentioned in the letter, Mr. Gillan said Palm had suggested making the auditor a present. Mr. Gillan had personally seen nothing wrong or out of place in this.

Mr. Gillan received no answer to this letter from Mr. Cornell. He received no letters from the auditor, but he had seen some of those received by Mr. Palm.

"I am quite certain that there was one letter in which he stated that whatever we collected was our own." The witness remembered seeing no letter in which the auditor openly protested against being sent any money or present.

Mr. Gillan believed the examination of insurance companies a serious matter.

"Were Mr. Palm's examinations serious matters?"

"Well, in my judgment some of them were not."

From Hartford Messrs. Palm and Gillan proceeded to New York city, where they remained about a month.

"How many companies in New York city did you receive pay for examining?"

"I made no memorandum and cannot tell."

The witness had never made any report of examinations made by him nor had he been requested to do so.

He had helped examine in New York the Fidelity and Casualty, the American Surety, the American Fire and the Mead & Kennedy companies. He did not know what he received for this, as he was paid at uncertain times and irregular amounts.

The Providence Saving Life of New York, he testified, had been examined by Mr. Palm. This company does not appear on Mr. Palm's list of companies examined by himself and Mr. Gillan.

"Do you not think Mr. Palm could have gotten a clerk or stenographer at about \$10 a week to do the work you did?"

"No, sir."

"How much did you receive per day?"

"Well, I worked, or was read to work seventy-seven days, and received \$1,105, out of which I paid all my traveling and hotel expenses."

The Providence Saving Life of New York Mr. Palm and he did not examine. Mr. Palm said he did not know how much the company paid Mr. Palm. (Palm's list of charges shows that the company paid him \$225.)

Mr. Gillan's attention was called to the letter from Mr. Palm to Mr. Cornell, saying: