

M'LAURIN DISCUSSES INSURANCE AND STATE WAREHOUSE SYSTEM

Ex-Snator John L. McLaurin has addressed the following letter to J. S. Wannamaker, president of the American Cotton Association, in which the insurance and warehouse subjects are again brought to the fore in this state:

Bennettsville, S. C., Oct. 14, 1919.

Mr. J. S. Wannamaker, President American Cotton Association, St. Matthews, S. C.

My Dear Sir: I have your favor of the 21st inst. and am glad to know that you favor the development of the state warehouse system modeled on the South Carolina plan "in every state in the cotton belt." As soon as I return from the conference with Governor Dorsey I will prepare the articles giving concrete plans connecting the system with financing institutions and the marketing feature. You have done a wonderful work in arousing public sentiment and you can depend on my doing anything in my power to aid you. Before writing these articles however, something definite must be agreed upon about the insurance question. A situation is brewing in the insurance field in South Carolina which will have a tremendous effect one way or the other. Insurance is a vital factor in the financing of cotton. We have reached the point where the farmers must finance and control the surplus in order to get a fair price for the cotton crop. The higher it goes the more surely will this be the case, because at present prices manufacturing concerns cannot afford to carry a large surplus, and if middle men control the surplus they will use it as a club, and continue to reap unreasonable profits at the expense of both producer and manufacturer.

A bank cannot afford to handle warehouse receipts unless the insurance is unquestioned, and the farmer cannot afford to pay an exorbitant rate of insurance and interest charges in order to hold his cotton. In establishing the state warehouse system, the moment I touched the insurance I stirred up a hornet nest. Had I not been entirely free to make my own arrangements outside of South Carolina, the system could have never been put in operation, nor can it be maintained effectively under the present insurance situation.

No man who has the true interest of the farmer at heart can advocate a system which does not take care of the country storage. Cotton should be kept as near the place of production as possible and when it moves, should go straight to the place of manufacture, even if it is in China or Japan. Every time that cotton is moved, it adds to its primary cost, and whether the grower pays it direct or not, it is at his expense. I found in 1914 that the rates on country warehouses were prohibitive. The trust charged \$3.50 per \$100.00 while in a fourth class town with exactly the same building the rate was less than one half that amount.

Experience has proved that safety in insurance lies in the distribution of risk. I contend that if the surplus cotton were distributed in warehouses of 600 bales capacity, scattered all over the belt, that so far as fire risk was concerned, it is the best in the world, and should be the cheapest. The insurance companies paid more loss in one fire in Augusta, Ga., than they would in the next ten years on Georgia cotton in country warehouses such as I have described. Yet they give the Augusta warehouse a rate of 15c and charge the country warehouse \$3.50 per \$100.00. The remedy for that is to provide a system of state insurance for warehouse cotton. To do that, however, will invite such a contest with the insurance trust that it will be necessary for each state to have its own rating and inspection bureau. We have a provision in our constitution forbidding the formation of a trust and specifically directing the legislature to pass laws for their prevention. In 1917 the legislature of South Carolina deliberately laid down to the insurance trust and we are today well nigh powerless.

The passage of the Laney-Odom act was the result of the fight made by the trust to prevent the development of a state warehouse system. South Carolina has been selected by this trust as a proper field for the full development of a trust system with a view to its extension into other states. So that if you are going into other states with the cotton association, it will be neces-

sary for you to take a hand in this fight.

After the passage of the Laney-Odom act there was a wholesale withdrawal of insurance companies from South Carolina in order to force its repeal. They failed to deprive the state of insurance, because of the development of local companies and of foreign companies who remained, because they saw it would be a profitable field. By the time the legislature met in 1917 the fight was practically won, and all property in South Carolina was being taken care of at rates far less in most cases, than those which we had been paying under the domination of the insurance trust. I thought at one time that Governor Manning had gone in with the trust, but I do not think so now. I believe he was trying to do his duty but was grossly deceived. Mr. Doyle, general counsel for the insurance trust appeared before committees of both senate and house, and presented an insurance law of his own making, and stated that if his act was passed that the companies would enter the state and treat the people right. Governor Manning's political influence secured the repeal of the Laney-Odom act and I saw that I was powerless and resigned as warehouse commissioner.

The very first step taken by the trust was a general increase, ranging from a minimum of 45 per cent. to 100 per cent in rates. They are now preparing to take the next step to make the trust absolute, by driving all non-board companies and their local agents out of business. I have recently returned from a northern trip where I have secured positive information that South Carolina has been selected as the proper state in which to try this experiment. The reasons, assigned being, viz.:

First. In order to punish this state for having the temerity to buck the trust in 1916.

Second. Because she is a small state and it will be less expensive and dangerous to make the fight here. I might add that I suppose they pulled it over the politicians so easily in 1917 that they regard our legislature as a "soft snap."

A few days since there was a meeting in Atlanta of the general and special agents of the Southeastern Underwriters Association, (which is the name of that branch of the trust embracing South Carolina). The startling announcement was made after this meeting that no local agent who represented any company not a member of the trust, would be permitted to represent any of the trust companies. They gave as a reason for this action that the non-board companies get rates from the Trust Stamping Office without any cost to them, and are consequently enabled to give the local agents more commission than the trust companies. This is not true because the non-board companies are urged by the trust to send their reports through the Stamping Office; as a matter of fact, these non-board companies have announced their willingness to pay their pro-rata share of the expense of maintaining the rating bureau, but are not willing to sign the agreement binding themselves to obey the rules and regulations of the trust as to rates. In other words become servants of the trust. This involves something more sacred than dollars and cents. It is a question of personal liberty. It is an effort to compel every local insurance agent to become a servant of the trust or quit business.

Following this meeting in Atlanta there was a secret meeting held at the Jefferson hotel on October 14. The Atlanta meeting made its proceedings public, but then I understand that the trust leaders saw that they were going a little too fast, as the South Carolina legislature would soon be in session, and it was deemed advisable to keep under cover until after the legislature adjourned. For this reason not a word has been given out from the Columbia meeting. I have given the alleged reasons set forth by the trust for attempting to force independent companies to retire from the state, but anybody conversant with the situation knows that the reasons given are all rot. The real reasons are, viz.:

First. Those companies and the local companies who remained in the state and stood by our people are writing more than one-half of all the business in this state.

effort to destroy the state warehouse system in South Carolina and render impossible its development in other states.

As soon as the trust was permitted to enter the state after the repeal of the Laney-Odom act they sent around and had each one of the state warehouses rated. I have in my possession a little booklet giving the new rates, which on an average was double the rate that I had secured, by forming a combination of independent companies. I have heard of a prominent insurance man making the remark about this new rating: "If we can't put them out of business in one way we can another." The South Carolina state warehouse system did not make any war on the insurance trust. The commissioner found an average rate of \$3.50 per \$100.00 and went to New York and formed a combination through which he obtained a rate of

\$1.58. The trust when they found the names of these companies compelled them to withdraw, not because the rate was too low, but because they did not propose to have any opposition. I have written this at some length, so as to let you see that we have the opportunity right here in South Carolina to win this fight and have no trouble when you go into the other states. The other articles will follow as soon as I can find time.

Yours very truly,
Jno. L. McLaurin.

J. B. FRONTIS
JEWELER
CLINTON, S. C.

NOTICE.

Pursuant to the order of the Court, all parties, having claims against the estate of E. Lee Pitts, deceased, are required to present and prove said claims at a reference to be held by O. G. Thompson, Probate Judge for Laurens County, S. C., at the office of the said Probate Judge in the City of Laurens, S. C., on Friday the 21st day of November, 1919, at ten o'clock A. M.

STANLEY L. PITTS,
Administrator.

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NOTICE OPENING BOOKS SUBSCRIPTION.

Pursuant to a commission given October 2, 1919, of W. Banks Dove, Secretary of the State, to B. H. Boyd, S. C. Hays, N. R. Young, W. P. Jacobs, W. D. Copeland, Wm. Bailey Owens, E. B. Sloan and John D. Bell, the books of subscription to the capital stock of Masonic Temple, of Clinton, S. C., will be open at the office of the First National Bank, of Clinton, S. C., at 10 o'clock, Saturday morning, October 25, 1919. Proposed capital \$30,000.00, to be divided into 300 shares of \$100.00 each.

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