The Great Hyde Ball of 1905

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Written by Atty. Dennis B. Funa

On January 31, 1905, James Hazen Hyde threw a spectacular costume ball in New York that supposedly cost more than $100,000. A huge amount in 1905. It was a coming-out party for his niece. The ball's theme was French and Louis XV. The ballroom was decorated in the Versailles style with extravagant flower arrangements. Singers were flown in from Paris and music was performed by the Met's 40-piece orchestra, while the Metropolitan Opera dancers performed. The party started at 11 p.m., and dinner was served at 3 a.m.

The party was well-covered in the press, and the Chicago Tribune wrote: "The 18th century ball given by James H. Hyde…altogether eclipsed in picturesque and entertaining qualities any entertainment, public or private, New York has known for years." While the socialites of New York celebrated the event, eyebrows were raised in the insurance industry and among the insurance watchers. James Hyde was the son of the founder of Equitable Life Assurance Co.—Henry Baldwin Hyde, a former cashier at Mutual Life Insurance Co. of New York. He founded Equitable on July 28, 1859, in Manhattan, New York. By the end of the 19th century, Equitable had over $1 billion in insurance policies in force and assets of around $300 million.

When Henry died in 1899, James gained control of the company. It was not long after the event that stories arose that company funds were used to pay for the ball. The New York Insurance Department soon started an investigation that revealed malpractices at the expense of policyholders. In late May 1905, investigators recommended the removal of Hyde and the mutualization of the company.

Soon an investigation of the entire life-insurance industry in New York was also conducted by the New York Senate, led by State Sen. William Armstrong. This resulted to the Armstrong Committee Report of 1906. The subject of the investigation was the business practices of New York Life, Mutual Life and Equitable Life.In one exchange during the investigation, Richard McCurdy, president of Mutual Life, argued that an insurance business is a "great beneficent missionary institution."

To this Charles Evan Hughes, general counsel of the Armstrong Committee, retorted: "Treating it as a missionary enterprise, Mr. McCurdy, the question goes back to the salaries of missionaries." Eventually, the committee concluded its investigation and published its report in February 1906. Many of its recommendations are in effect today in various jurisdictions worldwide. Among the recommendations were limitations on investments and commissions; prohibition on tontine insurance; requirement of independent directors; the use of standard policy forms approved by regulators; and many others. It was a turning point in the history of insurance.

Interestingly, another offshoot of the Hyde scandal is the writing of a novel that featured the excesses of the life-insurance business. In 1907, a novel, Light-fingered Gentry, was written by David Graham Phillips. It was serialized in Person's magazine. It featured a fictional insurance company called the Mutual Association Against Old Age and Death.

In the novel, Phillips described an insurance lawyer's role—"the business of helping respectable scoundrels glut bestial appetites for other people's property without fear of jail." The insurance industry and insurance lawyers have, of course, come a long way since the time of James Hyde.

The company eventually mutualized in 1925 but demutualized on July 22, 1992, to revert back to a stock company. In 1991 the French insurer AXA acquired Equitable Life. In 2004 the company was renamed AXA Equitable Life Insurance Co. By 2011, the assets of the company stood at $489 billion.

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Dennis B. Funa is currently the deputy insurance commissioner for Legal Services of the Insurance Commission. E-mail: dennisfuna@yahoo.com.-mail: dennisfuna@yahoo.com.