

LIABILITY INSURANCE BUSINESS

New York Superintendent Issues Final Directions— Limitation of Cost of Business

The New York insurance superintendent means business with the liability companies. On June 20th he addressed a letter to all companies authorized to transact the business of liability insurance in New York State, calling attention to the serious situation then existing in the liability business. He then stated that his department would insist upon the companies conducting their liability business upon a sound basis, and in particular as follows:—

1. Basing their underwriting upon statistical experience and the physical and moral hazard of each individual risk and free from the influence of competition.

2. Commissions to brokers not to exceed 15 per cent., and perhaps a slight increase over that to agents, but in no event should total commission exceed 20 per cent.

3. Administration expenses to be minimized.

Before taking final action, the New York department waited until replies were received from the various companies, in order that consideration could be given to any suggestions that might be made.

Must Have Limitation.

In the replies that have been received, several of the companies have raised the point that the limitation should be placed upon the total business-getting cost or acquisition expense, as well as on the amount of commissions to be paid. This is a point well taken, for a reduction in commission would mean nothing should salaries or other allowances be increased to the extent that commissions had been reduced, and the directions have been modified so as to include a limitation on the total acquisition expense.

The companies have been unanimous in their approval of the sentiments set forth in the superintendent's letter of June 20th, and have expressed their intention of complying with its requirements. A considerable number of the companies have already notified the department that they are now conducting their liability business along the lines outlined in his letter. Others, while approving the recommendations, have not as yet taken any real steps along the lines suggested, but have been apparently waiting for final directions. These final directions, says the superintendent, are as follows:—

These Are Final Directions.

1. Your underwriting to be based upon general statistical experience, modified by the physical and moral hazard of each individual risk and free from the influences of competition.

2. Commissions to brokers not to exceed 15 per cent. of the premium, and perhaps a slight increase over that to agents, but in no event should total commissions exceed 20 per cent. of the premium.

3. Total compensation, including salaries, commissions, and all other allowances to all brokers, agents, agency directors and branch office managers not to exceed 20 per cent. of the total premium income.

4. Administration expenses to be minimized.

These directions become effective October 1st, 1913, and apply to all of the liability and workmen's compensation business written. If any existing contracts provide for commissions or allowances in excess of the above requirements, they should be modified accordingly.

What the Department Wants.

Companies are requested to forward to the department not later than October 1st, 1913:—

1. A schedule showing the liability and workmen's compensation rates in effect from October 1st, 1913.

2. A schedule showing the rate of commissions to brokers and agents in effect from October 1st, 1913, on liability and workmen's compensation business.

3. A schedule giving a synopsis of all branch office and agency contracts, which provide compensation for salaries or allowances in addition to commission, showing the compensation, including salaries, commissions and all other allowances, in effect October 1st, 1913, on liability and workmen's compensation business.

4. A statement showing what steps have been taken toward minimizing administration expenses.

The schedules and statement requested above are to be certified to by two of the principal officers of the company.

Conditions in Canada.

The conditions in Canada were discussed by *The Monetary Times* last week. As then stated, the managers of companies doing liability business in Canada generally admit that it is in an unsatisfactory state. Many of them prefer not to offer any criticism of the existing conditions, as it is understood that a committee is endeavoring to bring the companies together into some sort of an agreement which will, *The Monetary Times* hopes, make for saner and sounder practices in the liability business.

It is generally expected that commissions on liability insurance will be reduced in view of the mandate of Superintendent William T. Emmet, of the New York Insurance Department, who said that brokerage and commissions are too high, says the *Spectator*. There is an inclination on the part of underwriters to take such action, although so far only one company has announced a reduction on commissions. The company members of the Workmen's Compensation Service Bureau have advanced rates in the following States: North Carolina, 25 per cent.; Alabama, 25 per cent.; Mississippi, 33½ per cent.; Tennessee, 33½ per cent.; Oklahoma, 33½ per cent.; Kentucky, 50 per cent.; Kansas, 50 per cent.; Arkansas, 65 to 80 per cent.

Offers have been made, it is understood, by several of the newer companies writing workmen's compensation to reinsure this line, because of the unsatisfactory results.

Compensation Liability Rates.

The workmen's compensation rates are being filed with the Industrial Commission of Wisconsin according to the new law, but as the rates and systems vary so greatly the companies are watching with interest the situation that is developing. The conference companies have filed the manual issued by the Workmen's Compensation Service Bureau, while a number of other companies in many cases have filed this manual, but have changed the rates to suit their own ideas. In other States the system of the conference companies is to permit each company to rate its own renewals and make all rates known to other members at least sixty days before expiration, but this is held to be in violation of the new anti-discrimination act.

COMPANIES WILL CHANGE NAMES.

The name of the Walker-Knisely-Woods Company, Limited, has been changed to Woods-Walker Company, Limited.

The William Sugarman Company, Limited, will change its name to B. Lauer and Company, Limited.

Smith and Whitney, will make application to change its name to Whitney and Company, Limited.

The Cement Products Company, Limited, will make application to change its name to Whites, Limited.

The Standard Trading Company, Limited, will make application to change its name to Standard Discount Company, Limited.

CHARTERED ACCOUNTANTS' CONVENTION

The Dominion Association of Chartered Accountants will hold its eleventh annual convention at Winnipeg, September 2nd, 3rd, and 4th. Mr. A. E. Phillips, of Winnipeg, is the secretary, and is making all arrangements. A large attendance of accountants from all parts of the Dominion is expected. The programme has been arranged as follows:—

Tuesday, September 2nd, 9 a.m.—Meeting of council, registration of members. 10 a.m.—Official reception of members. 11 a.m.—Opening session. President's address. Appointment of committees. Appointment of auditors. 1 p.m.—Complimentary luncheon at the Royal Alexandra hotel, tendered by the Institute of Chartered Accountants of Manitoba. 2.30 p.m.—Consideration of report of committee on uniformity of standards amongst provincial societies. 4.30 p.m.—Address by Vere Brown, western superintendent Canadian Bank of Commerce, on "The Banker and the Accountant."

Wednesday, September 3rd, 9.30 a.m.—Presentation of paper on "Municipal Accounting in the Prairie Provinces," by O. J. Godfrey, of the Saskatchewan Institute. 12.30 p.m.—Adjournment for luncheon. 2.30 p.m.—Consideration of reports of committees on "Canadian Chartered Accountant." Financial report. Auditor's report. 4.30 p.m.—Address by Judge Robson, public utilities commissioner of Manitoba, on "The Accounting of Franchise Companies to the Public Utility Commissions." 7.30 p.m.—Annual dinner of association at Royal Alexandra hotel.

Thursday, September 4th, 9.30 a.m.—Presentation of paper on the "Timber Industries of British Columbia," by W. E. Hodges, of the British Columbia Institute. 12.30 p.m.—Adjournment for luncheon. 2.30 p.m.—Receiving reports of constituent societies. Report of registration committee. Place of meeting, 1914. General business. After adjournment, meeting of council. Election of officers. 8 p.m.—Smoker by the Manitoba Institute in the Royal Alexandra hotel.

Insurance men want to be protected by Federal licenses, and they want it made a crime to let an insurer off with a part of his first payment. They also want it made a crime for any unlicensed person to canvass for life insurance. The growth of monopolistic restrictions conceals in time their absurdity.—*Toronto Globe*.