

application form before he signs it. Many clients become claimants on account of having suffered from one or more of the physical defects enumerated in the application form, and had he stated the facts in his application, a policy would not have been written. This is the cause of much extra trouble and expense to the company in investigating the claim, and no matter whether the claim is refused or not, the client feels aggrieved over the annoyance and delay.

Another evidence of the laxity or indifference on the part of the agent to the interests of the insurance company is shown in his classification of the risk. Many applicants have several occupations, and it is not unusual for the agent to class them under the least hazardous. The accident manual, which is gotten up solely for the use and instruction of the agent, states that; "In fixing the classification of any applicant it is to be remembered as a cardinal principle that where the applicant has more than one occupation, the occupation involving the greatest hazard must always determine the class." How frequently do we find this most important instruction overlooked. This neglect or indifference on the part of the agent only shows itself when a claim is made, and is the cause for much trouble and annoyance, both to the company and the insured; besides, it leaves the latter disappointed and dissatisfied with the company if his claim is paid pro rata.

Both Counsel and Judge.

The agent for the company is usually the agent for the claimants, as may be seen in the many claims made for insignificant injuries by his clients, who frequently state that they would not have made a claim but for the advice of the agent. Another evidence of the agent's interest in his client in preference to his interest in his company, is shown where he has heard that his client has met with an accident, and without making any investigation of the case, as his manual requires, at once notifies the company that "so-and-so is disabled from injury."

I could cite many cases of this kind, but one will suffice to show the agent's over-anxiety for his client's interests.

A man of importance in his community a few days after a slight injury was compelled to take to his bed. He attributed his illness to the injury. His doctor was called and recognized a serious disease, but for certain reasons the injury was given as the cause of his disability, and was so noticed in the press. The agent seeing this, at once notified the insurance company of his client's disability from injury. He also informed his client of what he had done. The medical attendant on being communicated with stated that the disease and not the injury was the cause of his patient's disability. Nevertheless, the client claimed indemnity for the injury, and on account of his prominence in his community was paid it.

"Just to Help Business."

It is a very common occurrence for an agent to write to the head office when a client's claim has been refused and request that it be allowed; his only argument being that by the company passing the claim it would help his business in the community. I am satisfied that such a request is frequently granted, for the reason that if the claim is not passed, the client will go to another company. This is paying for business with a vengeance.

There is still another neglect on the agent's part which only comes to light when a claim is made, and that is "over-insuring." How frequently do we find, if we take the trouble to investigate, that a claimant is drawing more for indemnity than what he earns when employed. He belongs to the presumably honest class with the elastic conscience. "To err is human"—this class is very human. The agent does not do his duty to his company when he neglects to make thorough investigation of his client's earning power, and also enquire as to whether he holds policies in other companies or not. On account of this neglect, the company pays out a great deal more money unnecessarily than they have any idea of, as it is only when a claim is made that the company finds out that he is over-insured and carries insurance in other companies.

Evils of Over-Insurance.

I have the statistics for ten years here of a certain class of risk wherein the over-insurance is well demonstrated. Each of this class of several hundred was insured for \$5,000, with \$25 a week for total disability. The amount paid out for indemnity was 65 per cent. of the premium income. The policy was reduced to \$1,000, with \$5 for total disability. The amount paid out on the reduced policy was 45 per cent. of the premium income. With the large policy there was a large loss; with the reduced policy the company made a small profit.

In only a few large centres have the companies got an adjuster independent of their agent. The company, therefore, in almost all places has to depend upon its agent to also adjust its claims; and, as I have already pointed out, he is also his client's agent for notifying the company of accidents, and also his client's agent for settling claims. Is it any

wonder then, that the agent, with his multiplicity of conflicting interests and duties, should err occasionally? As an illustration of this, I will mention only one case of many that have come within my own experience.

A prominent business man received an injury, and notified one of the companies I represented. I visited him and found his injury a painful one, although it permitted him to go to his office daily and attend to his duties there. He was undoubtedly partially disabled. When he recovered his claim was adjusted for partial disability to his entire satisfaction, and a cheque was forwarded by the company in settlement without delay. A few days later the cheque was returned to the company, stating that the settlement was not satisfactory. He was communicated with again to learn the reason of his dissatisfaction with his previous settlement, when he stated that he had a policy in another company, and the agent who had insured him had given him total disability instead of partial, and he thought this company should do the same. He was an honest business man, so after examining his policy he admitted that his original settlement was all he could claim under the policy, and accepted the original cheque in settlement of his claim. But when the premium again became due, he refused to renew, saying that the agent of the other company gave him better settlements.

Other Important Factors.

The "moral hazard" in insurance is not confined only to the client and agent. There are other agents, or factors, which, though not under the control of the insurance manager, yet have a very far-reaching influence on the "moral hazard." These influences on the "moral hazard" might be called "extraneous agents." I refer to the medical profession and the legal profession.

The medical man has an important bearing on every claim on account of the necessity for his professional services to the client. It is the medical man in attendance who, when called to see an injured or ill client, decides whether the client shall become a claimant or not, and if a claimant, whether his disability is whole or partial, where each begins and where each ends. The highest ideal of the profession is to cure their patients as quickly as possible. Their code of ethics calls for their honest and best services to their patient.

Responsibilities of Medical Profession.

If all the profession lived up to their code of ethics there would be no "moral hazard" in the relations of the medical man to the insurance company. But my experience in this relation compels me to state that there is a small class of the profession who do not always live up to those high ideals of fair dealing, and it is at such a time and place where this failure occurs that the "moral hazard" begins.

In justice to this class of the profession, I should state that I have met with only a very few who have wilfully and intentionally prostituted their profession in the interests of their patients. But this class as a whole does not intentionally give the insurance company the worst of it. Their moral vision is somewhat obscured by their sympathy for their patient, and by their faith in his honesty and by their ignorance of the terms and restrictions of the patient's policy, so that when the time comes to fill in the medical part of the claim form, the medical man usually accepts the statement of his patient and copies the dates there from his statement and signs it, with little consideration. He, like the client whom I have already described, when it comes to consider the interests of his patient and an insurance corporation, suffers also from corporation strabismus.

Where the Legal Man Comes In.

The "moral hazard," as it relates to the legal profession, is almost wholly confined to the employers' liability department of accident insurance. It is probably the most serious hazard of an accident company. The class of the profession sometimes described as "ambulance" lawyers are responsible for this hazard to a very large extent. It is their special stamping ground. They are a class who frequently follow the injured workman to their homes or hospitals, and solicit the placing of their claim for injury in legal hands. It is not necessary for me to describe this class, as they are well known to all those interested in the accident insurance business.

I have endeavored to point out to you in a few words as possible wherein lies the "moral hazard" of the various factors that have to do with accident insurance. I shall now try to show wherein the company is a "moral hazard" to other companies and to itself.

Payment of Unfair Claims.

It may seem paradoxical to say that a company is a "moral hazard" to itself, yet it is nevertheless true, and the company's present method of doing business is the cause of it. The insurance company enters into a contract with the insured when it issues a policy for indemnity against death or disablement; in other words, it sells a policy with certain limitations and restrictions, and agrees to pay to the