

SOLICITING USE AND OCCUPANCY.

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urged local agents to get busy and all were acquainted with the methods to pursue in solicitation.

Much Business Turned Down.

After this intensive stimulation, the pendulum seems to have swung in the opposite direction as a number of companies are becoming panicky and are turning down about every risk that has any doubt about it. Local agents feel, therefore, that their time is spent in vain in making Use and Occupancy offerings. They have gone to the trouble to solicit the business, have studied it and have presented the arguments to the assured only to have the companies order the policy cancelled. A number of agents consequently are asking what they can do to save time and trouble in soliciting this class. If the companies desire only certain risks, they wish to know what kind. In other words, if the agents were better acquainted what course to pursue there would be much conservation of time and effort.

Companies that have given use and occupancy much study find that local agents are soliciting concerns that have recently started in business, probably having gotten a war contract or are engaging in war work of some kind. They are probably new and untried in this field of manufacturing. Men have seen enterprises wax rich and grow fat out of so-called war business, hence they have organized various enterprises, have secured work and are attempting to make money just as easily and rapidly. Many agents say that the trouble with use and occupancy adjustments in some cases is that a concern at the time of its loss was just at the point of making good money. It may have had to do considerable experimentation. Its expenses of organization and fitting up its plant were heavy. It had to get its organization established, but was just on the point of reaping its reward when the disaster came and interrupted its operations. Agents say that this assured should be compensated for his loss of profits that were sure to come to him but which had been lost because of fire or other contingency that temporarily put him out of business. Many agents have this false view of use and occupancy coverage.

Insurance of Net Profits.

Use and occupancy is based entirely on net profits. That is its sure foundation. Primarily it is insurance of profits that are being made. It does not cover blue sky, moon shine, speculative earnings or profits that are going to be made in the future. Many companies, it is true, have taken new enterprises that have never made any record, and have written use and occupancy for them on a valued form, stipulating a certain amount of daily indemnity for which they would be liable. No concern, however, that is not making profits or that has not a record on which it can stand and prove its worth is a use and occupancy prospect in my opinion. I think that much of the business that have been turned down is largely of this kind. Agents have regarded every business enterprise in their vicinity as a use and occupancy

prospect, whereas probably but 25 per cent. or less than that should really be considered. As Fred. C. White, of the New York Underwriters, in his admirable address before the Wisconsin Association of Insurance Agents pointed out, some business enterprises that are not fit for use and occupancy coverage can be written for fixed expenses. Many concerns would be attracted to even this limited coverage, especially in their early days when they are spending large sums to get to the profit producing point. Some underwriters say that the field for a policy covering merely fixed expenses is very limited indeed and they do not believe that it would pay local agents to spend very much time in seeking people of this character. Personally I feel, however, that in many instances local agents can present this coverage in a way that will have an appeal to the assured.

There are some companies, it is true, that take new enterprises that are just starting in business. Some brand new factories, doubtless, deserve full consideration from the insurance companies and will make a success. They are backed by men of established reputation and high financial ability. They have most excellent prospects. At the same time I should say that underwriters are taking many chances in writing this class of business. I think that the so-called "war business" is very hazardous and should be carefully studied by the underwriter before being accepted. Simply because a concern has been organized with seemingly plenty of money back of it and has some war business is no indication that it is going to be a success.

A Concrete Example.

Just the other day I was told of a case of where a manufacturing concern had gotten a contract to make shells. Some 40,000 shells were made before one could be secured that met the exaction of the government. The government requirements are very severe. Everything must be fitted and put out in a perfect way. So far as this particular enterprise was concerned its financial resources were almost exhausted before it perfected its machinery to do the work. Large quantities of a product may be thrown back on a factory because of imperfections. Many concerns that have been fairly successful in manufacturing or producing certain goods have changed abruptly to war business, perhaps, entirely out of their line. It is a serious question just now how they will succeed in their new course. In numerous instances it has not meant a serious readjustment of machinery. They carry on their new work with present equipment. However, they were experienced and successful in a particular line to which they had given special study. They knew the demands, the market conditions, the wishes of customers and had their sale forces trained for this end.

They now undertake an entirely new line and while the government, of course, is a very safe customer and they will get their money, yet it is a question how they will succeed in the long run.

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