

agents or managers, or reads a text book on insurance, can understand what life insurance means and the benefits of the simple, well-trying plans and will be ready to buy insurance when he becomes a man. The prospect buys when he thinks he understands the contract, but should he discover he did not really grasp the meaning of the attractively titled proposition, he very often blames the agent, throws up the insurance, the business lapses from the company's books, and that is bad business."

Mr. E. Morwick, general agent at Hamilton of the Mutual Life, differed altogether from Mr. Alexander. "It is idle to suppose that any plan is thoughtlessly placed in our rate books," he said. "Rather should we conclude that each plan has received careful consideration by our actuaries and are placed in our rate books because of its adaptability to certain conditions or public need."

#### Fit Insurance to Prospect.

"I would not consider it advisable to suggest that our actuaries have been too prolific, or that they should discontinue the search for still more seductive or attractive plans. There is little doubt that the multiplicity of plans and their suitability to individual needs and circumstances, has contributed very largely to the universality of life insurance."

"Mother Nature never duplicates men, each man being a distinct individuality, with widely different viewpoints and ideas regarding life insurance. This being so, the wisdom—yes, the necessity of different plans is quite apparent, which are but an attempt to provide some attractive plan to each individual. It is no part of this discussion to determine which is the better plan of insurance, if that was even possible. Each plan has its distinctive feature, and the persistency of business written depends very largely on the intelligent selection of a plan suitable to each client. The number of plans need not confuse our prospects because a wise underwriter will not display or attempt to explain all plans to any possible client. Any life underwriter, failing thoroughly to understand or analyse all plans—need not feel discouraged for their names are legion who do not—and yet are most successful underwriters. At the same time a determined attempt to understand all plans, will be well repaid by increased confidence born of knowledge, and is mighty good mental calisthenics."

#### Actuarial Camaliels.

"Let us occasionally 'sit at the feet' of our actuarial Camaliels and learn of them. Strive to know absolutely everything about your own company and their plans, then know, if possible, more about the other companies and plans than their representatives do, use your knowledge tactfully and honestly, and the number of plans will be a source of strength rather than a handicap in the securing of business."

Mr. T. J. Parkes, Sun Life, Sherbrooke, supported the views of Mr. Morwick. He thought there were not too many plans in the book. He had once "rattled" his own actuary by fixing a special line of cover for a man and this was done from the manual. When submitted to the actuary he had said such a policy was impossible, but it was shown the plan was evolved from the rate book. Mr. Parkes' reference to "rattling" the actuary and to the little suburban man who could not be expected to understand the manual, brought a jocular remark from Mr. G. J. Alexander, Richmond, who dubbed Mr. Parkes as "one of the assistant actuaries of the Sun Life."

Mr. George E. Archibald, Sydney, read a paper at the convention on the economic value of life insurance to the individual.

Mr. George H. Hunt, Imperial Life, Toronto, secretary of the association, presented a very business-like report. He noted that a letter from Mr. J. Lawrence Priddy, president of the New York Life Underwriters' Association, suggesting a plan to cure the rebate evil, was brought up by President Reid. Considerable discussion followed as to ways and means of overcoming this evil, and it was finally moved by Mr. Parkinson and seconded by Mr. Hendry, that the association send a memorial to all companies to the effect that Clauses 87 and 88 of the Dominion Act, affecting provinces where business is being transacted, be put on all application forms and that the legislative committee draft this and confer with the Life Officers' Association.

## CUT RATE INSURANCE IS NOT CHEAP

### It is Not in the Best Interests of the Public—Some Remedies Suggested

The discussion as to cut rates for life insurance policies brought forth the general opinion that so-called cheap insurance is not in the best interests of the public and chiefly because insurance is based on cold, scientific calculations.

Mr. E. R. Machum, Manufacturers Life, St. John, in opening the discussion, recalled that six or seven years ago certain United States companies began to issue a special whole life policy at a very low rate—only about 1 per cent. above the net premium. This reduction in loading necessitated a corresponding decrease in the commissions to agents on this special plan. As these United States companies do business in Canada, the Canadian companies were placed in a somewhat unpleasant position when in competition with these "cut rates," with the result that several of them adopted competition rates.

"Numerous objections to these 'cut rates' have been urged," said Mr. Machum. "This cut-rate policy was only offered to the wealthier class—those who could carry \$5,000 or upwards. Hence there was discrimination and in favor of the class that needed it least. If any discrimination is justifiable it ought to be in favor of the poorer and not the wealthier class. One of the fine things about insurance is that there have been no wholesale rates, but that the man who can only buy \$1,000 pays the same price, pro rata, as the man who can purchase \$100,000. Distinctions, based on wealth, have always wrought injustice and it will be an evil day for insurance when such distinctions are permitted. It is true that in Canada the law required that this policy be issued in \$1,000 policies, but my understanding is that if issued for less than \$5,000 the agent, in most companies, received no commission and, therefore, it was not offered to the small insurer."

#### Will not Provide Expenses.

"Again, it follows as a matter of course, that if any part of a business is transacted at a rate which will not provide for the expenses, the loss on that particular part of the business must be made good by the remainder. It must be manifest that no company could successfully carry on its work if the loading for expenses on all plans was reduced to the percentage of loading used on these special cut-rate plans, and consequently, the policyholders insured under other plans must contribute to the expenses which should be equitably borne by those holding cut rate policies."

"Where agents are selling under commission contracts, the loss principally falls upon them, but in all companies, a large proportion of the agents are on salary and expenses. In those cases it is almost impossible to apportion the salary and expenses in such a manner that an equitable percentage shall be applied to one plan or another."

"The commissions paid on these special plans vary from 10 per cent. to 20 per cent. An agent writing \$100,000 at age 30 with a 20 per cent. commission would receive about \$350; half a million would be required to give an income of \$875 and the million dollar man would have for salary and expenses the princely sum of \$1,750 and we have not many million or half-million producers."

#### Remedies Suggested.

Mr. Machum suggested the following remedies: (1) Induce the offending companies to voluntarily withdraw the offending plans. This ought not to be a difficult matter at this time. An act passed by the New York legislature on February 28th, 1916, and which became operative on June 30th, has already cured the evil so far as the United States companies operating in Canada are concerned. As already mentioned the competition of the United States companies was the primal cause of the adoption of cut rates by the Canadian companies. That the Canadian companies have not been favorable to these plans is amply shown by the fact that not a single one of them has published openly and above board in their manuals, the premiums for the cut-rate policy, but have sent them out on separate slips marked Confidential, with the evident desire that this plan should be kept from public knowledge as much as possible; in effect saying: "Sell the poor fellow who is not in the know the adequately loaded policy, but for your wise friend we have a special delicacy to offer, but for goodness sake keep it