

the handling of the company's funds? It belongs in investment account, and income on investment account, no matter how received, goes to total income from the handling of funds, and is therefore an interest producing factor. During the past three years profit on the sale of securities has been at a low ebb, for reasons which here need no explanation. For instance, in 1894—the latest total figures accessible—the interest and rent income of the New York life companies was nearly \$28,000,000, and yet in that year the total profits realized on sales of securities by all the companies referred to was exactly \$24,285! How much of a figure did that profit cut in interest rate for the year? And the same absence of profit on sale of securities will be found to apply to most of the other companies reporting to the New York Insurance Department. Yet, with this element eliminated, the average rate of interest realized in 1894 by these companies, on the mean amount of the reserve held, was 5.63 per cent., and on the mean amount of *total assets* it was 4.74 per cent., or three quarters of one per cent. more than required by the legal 4 per cent. standard while the excess over what was required of interest on the mean reserve, with six months premiums added, was considerably over one per cent. The profit element may be safely counted on to be larger in the future with returning financial prosperity than at any time during the past three years, so that when we cite 1894 in evidence, we are putting this interest question on the most conservative basis possible.

Of the third point sought to be made by our correspondent, viz., that income from rents is reported gross instead of net, it is sufficient to say that the statement is exceedingly vague and needs confirmation, so far as a good many companies at least are concerned. If it were true that all the companies report gross receipts for rent, about how much would our correspondent deduct as an expense for collection, especially when it is remembered that companies having office buildings (as most of them have) charge up as paid out on one side of the account and as received on the other side the amount apportioned as rent for their own occupancy? The entire rent income of all the companies here considered was, in 1894, in round numbers \$4,600,000. What infinitesimal part of the more than \$48,000,000 of interest income would about accurately express the actual "cost" to the companies of collecting the rents, a good share of which were duly collected by a stroke of the pen when the bookkeeper made his brief debit and credit entries? The fact is, the advocates of a three per cent. reserve standard, which means an increased premium rate when rates are already too high and dividends mythical, are hard pressed to find justification for their course, and such frivolous points as this difference between gross and net rent receipts are paraded to throw dust in the eyes of the public. We repeat that, in the light of actual demonstrable facts, there is no more necessity for a higher reserve standard than the present legal 4 per cent. standard, than there is for a sub-marine cable to the North Pole or a navy yard on the top of Mount Washington! Of course the

higher the standard for the computation of reserve the bigger the pile of surplus, which, as we have heretofore shown, is already twice as large as safety demands and to that extent a gross injustice to policyholders.

We believe, however, that a portion of the large surplus claimed by some companies should not be included under that heading at all.

REBATING AND THE REBATER.

Written for the INSURANCE AND FINANCE CHRONICLE,
by WM. T. STANDEN, Actuary.

II.

Common-sense would indicate that the best manner of adjusting first and renewal commission rates, so as to induce the greatest possible degree of persistency in the business, must have relation to a continuous financial incentive to the agent, large enough to make the attainment of persistent business an object which he cannot afford to ignore. Simply because the labour of first securing the application, and obtaining a prompt settlement of the premium when a policy is issued, is greater than the labour reasonably incident to securing the renewal of the insurance, is no valid reason why the first commission should be altogether out of all proportion to the amount of the renewal commission—in fact it is rather a good reason why any evident inequality should be avoided, and such a relationship between the two forms of compensation maintained, as will bind the agent's interest in the direction of securing such renewal with a fair degree of certainty.

The agent is only *one* party to the arrangement, and no scheme can be regarded as perfect in its plan or operation, unless the interests of the Company be with equal fidelity conserved. Primarily the main interest of the soliciting agent lies in the actual securing of the risk, while that of the Company is inextricably interwoven with the paramount importance of securing only a quality of business that will pay it to write, *because* of the probability of its renewal and continuous persistence, at least for a term of years long enough to repay the large initial cost involved in its procurement. There is no danger, nor even possibility, of the Company ignoring the interest of the agent, or violating any of his privileges, or depriving him of any pecuniary incentive to which he is entitled, but there is extreme danger (as every sworn official report most conclusively demonstrates) that in his haste to secure the first fruits of his labour, the agent may saddle the Company with business incapable of repaying its first cost. The system of rebating is the standing evidence of this danger, and it is no difficult matter to show the enormous financial loss resulting from the Companies' misplaced confidence in the honesty and integrity of their field-workers.

In these days of large surrender values, it is not so easy to determine the maximum percentage of the first premium that can safely be paid for the mere securing of the risk, as it used to be when greater latitude was allowed to the Companies in their treatment of retiring policy holders. To-day, that which legal enactment may fail to secure to policy holders is forced upon the Companies as a concession to the exacting requirements