

their part in the passing and settling of claims in the past, and has thereby created precedents which both agents and claimants continue to follow without, I think, wilful intention of wrong-doing on their parts.

A certain detective agency, in discussing the honesty of humanity, has stated that only one person in ten is honest. I cannot think this is a true estimate. A detective agency has to do with the criminal class or those suspected of criminal or dishonest acts, and I think has taken an exaggerated view of the dishonesty of man. We must admit that no matter what percentage of the people are honest, were it not on account of the dishonesty of a percentage of the insuring public, the accident companies would have a quiet and easy time, devoid of the worrying and interesting problems that face every manager daily. Besides, there would not be the need for many of those now employed in the accident insurance business, who get their bread and butter on account of man's inhumanity to an insurance company. They will, therefore, no doubt admit that "adversity, which like the toad, ugly, venomous, wears yet a precious jewel in its head."

Three Classes of Insurers.

Now taking the term "moral hazard" to mean the risk a company takes against unfair dealing in all its relations with the client, the agent, the doctor, the lawyer, competing companies and itself, I shall first discuss it as I conceive it relates to the client or insured. I would divide the insuring public into three classes:

- (1) The honest insurer, who insures against accident as a protection in case of disablement or death.
- (2) The professional dishonest insurer or dead-beat, who makes his living by going from one company to another making spurious claims.
- (3) The presumably honest insurer, who has a very elastic conscience.

The first class has no "moral hazard."

The second class has a limited "moral hazard."

The third class has an unlimited "moral hazard."

The dividing the risks into these three classes is more for the purpose of describing the varied features of the "moral hazard" than for any practical purpose.

First Class in the Majority.

The first class, I am pleased to admit, constitutes the majority of the risks, and is composed of the honest, square, fair-dealing man, who in making application for insurance does not overlook the statement he signs, but answers it honestly, and in case he is injured and makes a claim for indemnity, only expects and asks what his contract calls for. If all the claimants were of this class, the life of the general managers would be one round of pleasure. I think, perhaps, there would be only a few general managers. This class scarcely comes under the accident hazard, and the placing them as a class in the "moral hazard" is for the purpose of comparison.

Tricks of the Second Class.

Every company has its experience with the professional claimant. This individual usually insures with a number of companies, pays a part of the premiums in each, and draws indemnity from each, without the other's knowledge. I have had many experiences with such individuals. Some time ago a client notified an insurance company of an accident. I visited him at his room, and became suspicious that the alleged injury to his knee by the street railway was spurious, as there was only a slight scratch which seemed to have been self-inflicted. I returned in a couple of days and was surprised to find that he had a reputable physician apply a plaster of Paris splint to his knee. I spoke to the medical attendant about it, who stated that there was no necessity for the splint, but his patient wanted it, and he complied. In the meantime, I found that he had notified the Street Railway of his "serious" accident. I made enquiries, and found that he had a \$5,000 policy in five different accident companies. His accident occurred within two weeks from the date of his application for insurance. He subsequently put his six claims in the hands of six different lawyers. Some of the companies settled, and he left the city. The lawyer who had the claim against the company I represented made terrible threats of what he would do, but ultimately requested, "Won't you pay my expense anyway?"

This One Went to Jail.

Another case I might mention where a young man had taken out a policy through a rural agent. He called at the office of the companies in Toronto with a claim form filled in for some weeks disability, his affidavit affixed, and the medical attendant's certificate filled up and signed. I examined his wound, and discovered that the injury which he claimed was received weeks previously was of very recent date. My suspicions were aroused, and he was asked to report later in the day. In the meantime, I found that the medical man's name had been forged. On the client's return to the office, a detective was there who arrested him. He

was subsequently tried and convicted of fraud, being sent to jail.

These are two examples of the "professional" class; the one an expert, and the other a novice. I might cite many cases that in my own mind were frauds, but the question was to prove them. I am satisfied that the accident companies pay many claims in a year to the professional accident insurer, which might be avoided under better methods of inspection, etc. But I shall refer to this later.

Corporation Strabismus and Its Victims.

The third class includes a very large number of the insured. They cannot be classed among the intentionally dishonest insurers. Their view of right and wrong, between man and man, may be quite correct, true and moral, but their view of right and wrong between man and a corporation, especially an insurance corporation, is a different field of vision. They suffer then from a squint, or strabismus. Usually, they have one sound eye. This eye is used for the man. The eye with the squint is for the corporation; consequently, when one of this class makes application for insurance, he never sees the questions in the application form regarding previous diseases; his corporation eye sees no varicose veins; it is blind to fits, and everything that is for the protection of the company. But when one of this class makes a claim, his knowledge of what the policy grants is good, though he lacks information on the limits or restrictions of the policy. The sight of his corporation eye is defective here also. He exaggerates his claims; increases the time of total disability; claims partial disability on account of some slight inconvenience, although he is able to do all and every part of his duties.

I think that a considerable number of this class who show a warp in their moral make-up do so because they have not been able to apply the golden rule to a corporation. I have had experience with thousands of this class and could cite many interesting cases, but a couple will suffice to explain my meaning.

Two Interesting Cases.

A certain clergyman held a policy for \$1,000 in an accident company. He notified the company that he had received an accident. I examined his injury, which was a slight one to the end of one of the fingers of his right hand. I asked him in what way he was disabled. "Well," he said, "I preached yesterday, but I had to use my left hand to shake hands with my people." He received \$2.50 for two weeks' partial disability.

Another case of interest. This client had a policy against accident and sickness. He notified the company that he was ill. I called at his house, but found him not at home, his wife informing me that he had been ill with cholera morbus, but was better. He was notified that this illness was not included in the list of diseases in his policy. He called later at the office with a doctor's certificate stating that he had been ill with another disease included in the policy. He was asked when the doctor first called it this disease, and he replied that on receipt of the company's letter stating that he had no claim he took his policy to the doctor, and asked the doctor to look over the list of diseases and see if he could put his sickness under any of them. The result was that the obliging doctor placed it at once under one of the diseases in the policy and gave a certificate accordingly. In justice to this man, he did not press his claim.

"Moral Hazard" and the Agent.

The agent bears a most important part in the insurance business. He is the connecting link between the company and the client, and upon him to a great extent depends the success of an insurance company. In discussing the agents and their relation to the insurance company, my remarks are not intended to cast any reflection upon an honorable body of men as a whole, but are for the purpose of criticizing certain features of some of them in their relations to the "moral hazard" in accident insurance. There are good agents and bad agents. They are no better and no worse than any other class of business men, but are just human, and, therefore, liable to err.

The accident insurance agent is, as a general rule, also the agent for a number of other corporations, such as life, fire and loan companies; and in the great majority of cases their accident insurance business is, of necessity, of minor importance to their other insurance business. Life insurance is now a necessity, while fire insurance is nearly always compulsory, and consequently they frequently seek the agent, while accident insurance is usually only gotten by solicitation. Then again, the agent's income from fire and life business is much larger than from his accident business as a rule; for this reason, also, he does not take as much interest in his accident business as he does in his other kinds of insurance business.

Lax Agents Much to Blame.

From my experience with many claims, I have come to the conclusion that there is a great laxity on the part of many agents in not reading and explaining to the applicant the