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ON THE WORKING OF FOREIGN AGENCIES.

This is a subject which must be pretty well recognized as forming an important item in the management of a Fire Insurance business. The British companies, with a very few exceptions, sooner or later spread their agencies over the greater portion of the civilized globe, and as long as these branches are a healthy growth from the home root and trunk, so to speak, the policy of itself is sound and wise. The best and strongest United States offices also, are those who transact their business throughout the entire Union, which may be said to be a world on a smaller scale, so multiform are the commercial interests and so divergent the species of trades contained therein. Of the wisdom in thus scattering their liabilities, and consequently multiplying their sources of income, there can be little more doubt than there is regarding the old theory of placing one's eggs in more than one basket; but, as Jack Bunsby of famous memory might remark, the merit of this wisdom depends on the application. To begin with, it is one thing for a well-grown man, full of inherent and superfluous vigor, to stretch out his hand for the golden fruit overhanging the precipice beneath, and quite another for a weak stripling whose limbs have not had time or opportunity to attain their full strength to attempt the same feat, as this latter case is almost certain to illustrate the well-known saying of a "vaulting ambition which over-leaps itself and falls, &c."

However, whether or not it be expedient to extend the field of a company's operations we do not propose to discuss on the present occasion, but, when once it is decided to open

a foreign branch or agency, then the question presents itself to the Home Office, upon what plan or basis shall such new branch be conducted.

It is pretty well known that, apart from the internal arrangements of the new office to be established, there are practically but two systems adopted as regards the remuneration of the general or chief agent, resident manager, or whatever the head representative of the foreign branch may be styled, namely, 1st, by payment of a round commission, which is to cover all (or nearly all) expenses of the new agency; and, 2nd, by a stated salary to the representative, the company in such case paying all expenses and commissions, in fact, constituting the new agency a branch office.

Both of these methods have their different advocates, and it is not surprising that, as a general rule, it happens that those companies who desire a large income speedily should choose the first, while offices who are content to wait for the new agency to reach fair proportions by natural growth adopt the second plan. An agent whose income from his agency depends solely upon his commission naturally endeavors to push the business as much as possible, it being palpably to his interest to do so, and it is not to be wondered at if he regards the large premium, with loving glances, for he is but flesh and blood like the rest of us. But when the remuneration is by a fixed salary there is no such inducement to rush up a big income, and the agent feels himself free to exercise an unbiased judgment upon the various risks which come before him.

The result of these different methods is not difficult to foresee; upon the commission basis the income at the outset will be larger and the expense ratio very much less than when the agency is upon a salary basis, but we will venture to say the loss ratio will be very much heavier with the former than with the latter plan, and it would be just as unfair for the company in the one case to complain of its large losses as in the other to grumble at the expense ratio, being in both instances the result of the systems employed. But as time goes on and the income of the salaried agency gradually grows its expense ratio will decrease, office rent, clerk hire, and so forth, not increasing in anything like the proportion of the income, so that after about three years (when the agency is thoroughly established) the probability