

AGENCY LICENSE REFORM.

Insurance brokers will be interested in the action of Mr. Thomas B. Donaldson, Insurance department of Pennsylvania on a question that is receiving considerable notice by those engaged in the business of insurance—the general clean-up of the agency forces in all lines of insurance. Commissioner Donaldson sent out a letter recently to Companies in which he stated in unmistakable terms his intention of obtaining the proper information on the questionnaires issued by the insurance department. The letter is self-explanatory, and we reprint the following:—

Questionnaires in hand disclose an astonishingly large number of agents who wrote merely three or four policies yearly. Many people were asked to appear personally and were examined on underwriting qualifications. The majority of them were absolutely ignorant of the business and many said: "I never asked for a license. The company sends one to me every year." The general practice is apparently to have a large number of "feeders" licensed; people who control a renewal or two yearly. The "feeder" asks that a policy be mailed. There is no inspection, no real knowledge of the insured, not a vestige of accurate coverage. This applies to all lines of insurance.

As an instance of home office stupidity; 73 names were recently certified (for license) to this department. An immediate investigation disclosed that the list came from a local agency and the endorser personally knew a mere handful of seventy-three people. Five of them were working in the same banking institution and their combined writings totaled about eleven policies. Yet, these people were endorsed by a home-office official as personally known to him as competent to sell insurance.

The department's objection to this custom (which objection arises out of interminable complaints, wrangles, partisan bills in the Legislature and pronounced litigation) is on the basis that the insurance business is so intricate and so rapid in its changes and demands, that no company can afford to license individuals who know nothing of policy contracts and how to apply the conditions and care less about it. Proper coverage demands constant study, attention to details, exhaustive knowledge of a client's business and his requirements. There can be no guess-work about it.

The department has no objection to the part-time man if he is seriously intent upon transacting the business of insurance and knows what coverage means and if commissions are for his use and not a "contribution" to others in the nature of a rebate.

Endorsements to the questionnaires must not be perfunctory! The department begs leave to advise

all companies that no license will be renewed unless questionnaires in hand, or to be received, disclose that the applicant or licensee is entitled to a license. Personal examinations require time. Those who expect 1920 renewals may be required to cease writing business for several months until he or she may be examined on underwriting qualifications. It is therefore incumbent upon home offices to use the greatest care in revising their renewal lists and in certifying new applicants. Kindly and at once notify your branch offices, general agents and locals of the contents of this letter.

Please use all means to expedite the forwarding of certifications to prevent delay. The work required in preparing 80,000 licenses is tremendous and delays are too apt to ensue unless names are in hand long prior to April 1, 1920.

The department sincerely hopes that home offices will realize that restrictions upon issuing of licenses is for the benefit of the entire field of insurance and is not purposed to work a hardship upon an individual or to trench upon the premium income of any company.

CONDEMNS MONOPOLISTIC STATE INSURANCE.

Mr. Jesse S. Phillips, superintendent of insurance New York, in his annual report to the legislature makes some interesting remarks against a monopolistic State Fund, and points out the real social gain that results from the service accorded by insurance Companies in accident prevention, and first aid treatment.

The investigation into the State Industrial Commission is commented on as corroborating and emphasizing the statements made by Mr. Phillips in previous reports. He condemns the idea of a monopolistic State fund in no uncertain terms, as will appear from the following extract:

"The State should not, in my opinion, be given a monopoly in the field of compensation insurance primarily because such a departure from the true functions of government is the opening wedge for other socialistic experiments and also because, in my judgment, the results would be inferior to those attained under present conditions. As I see it, the only justification for even a competitive State fund is the necessity of guaranteeing to employers of labor the opportunity of purchasing insurance as required of them by the compensation law. Having created such a competitive fund, the decision as to the relative merits of State and private insurance in the field of workmen's compensation can be based upon actual performances rather than upon theoretical anticipation. If employers prefer to insure with the State fund they have the opportunity of so doing and there is nothing to prevent