

LOSS IN TRAINING LIFE AGENTS

Mr. Edward A. Woods of Pittsburgh, president of the National Association of Life Underwriters, brought out some interesting facts in an address recently made at Detroit on the subject of salesmanship in life insurance and various efforts which are now being made in the United States to give a more efficient training to salesmen. Mr. Woods estimated the chief expense in life insurance—that for marketing, not producing it—to run between \$100,000,000 and \$125,000,000. Any reduction in this cost though small in ratio, must mean a large saving to policyholders. He did not consider the place for saving to be in the reduction of the compensation of the average successful agent, who is by no means overpaid although, as in every other business, there are some conspicuous successes. He inquired whether there was not an unnecessary wastage in the selection and training of agents, and stated that as a result of replies from 83 companies to an inquiry as to the number of agency contracts made last year, the number of contracts terminated for causes other than death, and the number in force December 31, 1915, it was a fair estimate that 60,000 agents in the United States annually pass out of the life insurance business, failures.

COST OF UNSUCCESSFUL AGENT.

The cost of engaging, equipping, training, working with and finally canceling contracts of 60,000 agents, is certainly a large sum, said Mr. Woods, no matter how conservatively we estimate the average cost of each. Any one who has had experience in hiring agents, especially when it is remembered that these 60,000 men average possibly one year in the business, will concede that the entire expense, chiefly of time but also of equipment, is very much understated at \$100 each. The time spent in hunting up these men, inducing them to enter the business, giving them what information or training they had, working with them, and finally in canceling their contracts, all cost time worth money. In many cases the hiring of these men meant trips to see them or paying their expenses to see the general agent or company. It meant, in some cases, the advancing of money or the paying of salaries not earned, and the cost and equipment of office space. It meant clerical attention, as well as that of the general agent or supervisor. In all cases it meant, at least, the license, the rate book, and the equipment of supplies. The president of one of our largest fire companies valued each fire agent at \$250. These 60,000 failures, therefore, cost a figure that will be admitted as most conservative—\$6,000,000.

ONE COMPANY'S EXPERIENCE.

Mr. Woods drew attention in this connection to the experience of the Metropolitan Life of New York. In 1905 the Metropolitan Life, in addition to 2,700 assistant managers, had over 12,000 agents, whose average earnings were less than \$12 a week, a total number of 14,700 agents and assistant managers. During that year, 19,066 agents were contracted with to maintain the force and the company's annual business was \$430,233,822.

In 1915 this company had reduced its force of agents to less than 11,500 and its force of assistant managers to 1,500; increased their average earnings to over \$23 weekly; increased its business to \$592,500,860, over 37 per cent.; and, best of all, reduced

its percentage of agents engaged to maintain its force from nearly 155 per cent. in 1905 to 62 per cent. in 1915. By a careful study and analysis of sources of agents and causes of success and failure, tables showing the classes of failure by age, amount of previous earnings, race, nationality, marriage condition, previous occupation, this company has attained a position where first, it has no part time agents; second, it takes no business whatever from brokers or agents of other companies; and third it has a waiting list of agency applicants enabling it to make a selection otherwise impossible. That this has been accomplished by one company, said Mr. Woods, shows what may be accomplished by all and the large saving secured to policyholders, not at the expense, but to the advantage, of successful men now handicapped by poor selection and poor training, with consequent failure.

FIRE AGENCY CONDITIONS IN MONTREAL.

To the Editor of The Chronicle:—

Sir—I have read lately with much interest in your valuable paper, two letters from country agents who were complaining that Fire Insurance Companies, in their anxiety to secure representatives, appoint such a number of agents that sometimes they cannot get more than five or six risks a year from each of them.

I would like to say that in Montreal things are just as bad as in the country, or worse. The Companies here have two classifications of agents, viz.:—the Special Agent and the Sub-Agent, the latter being a special agent of an Insurance Company just as the former, but his name is omitted from the list published by the C.F.U.A. and consequently he is not known to the Insurance Agent fraternity. The Sub-Agent is principally recruited amongst the notaries, government and municipal employees, merchants, clerks, bookkeepers, collectors, street car conductors, brokers of every description, etc. He does not need any insurance experience or training. Sometimes his commission on a few of his own risks is practically a reduction of the premium. At other times he is appointed because he controls a large risk by some connection where he is either interested or employed. It is for these reasons that the real Agent who makes his living by the fire insurance business believes that he does not receive fair play from the Companies. The Special Agents in Montreal are a few hundreds, but the so-called Sub-Agents are in the thousands and they are the *bête noir* of this business.

I believe that the Companies should have only one classification of insurance agents and think that such a change would bring up the standard of agencies, also perhaps would help in keeping the losses down. The Companies want good service from their Special Agents from whom they get most of their business; they have the benefit of their experience and they expect them to be loyal; why should they embarrass them with the classification of Sub-Agents? Let every person who wants to be an Insurance Agent be known as such.

Yours very truly,

SPECIAL AGENT FOR THE CITY OF MONTREAL.
July 19th, 1916.

The Prudential of London, the leading British industrial office, has now paid in war claims in excess of a million pounds sterling.