

RESTRICTION OF AGENTS' REMUNERATION.

Undoubtedly the most important and far-reaching provision was that in which attempt was made to regulate the cost of new business and in prescribing in definite terms the maximum remuneration which might be paid to agents. In so far as I know this is the first instance on this continent at least of sumptuary legislation in life insurance. The fact that the cost of the business was excessive and was becoming more so had been recognized for some time. The mad race for volume of business, which had obtained for some years, had assisted in bringing this about, but attempts made by voluntary arrangement on the part of the officers of the companies to call a halt always ended in failure. The personal equation entered too largely into the question. The ambition for volume was not confined exclusively to any particular class of companies. While it was an offence usually charged against the large companies the smaller ones were also offenders. Combined with this was the pernicious practice of rebating, which had become so general, and which added not only to the cost of the business, but exercised a demoralizing influence alike on the policyholder and the agent. The limitation of the commissions allowable, reinforced by the laws passed in other States rendering rebating a punishable offence have resulted in the elimination very largely of this abuse. I can speak advisedly in so far as Canada is concerned where it is to-day practically little heard of. The limitation of the commissions has operated most effectively in reducing the cost of the business and without injury to the welfare of the agent. Allowing one-quarter of one per cent. of the mean invested assets for investment expenses, and assessing the balance of the expenses against the first year and renewal premium income on the basis respectively of ten to one, the average cost of the new business of the New York State companies for the years 1910 and 1911 will be found to be 72 per centum of the premium as compared with an average cost ratio for the years 1903 and 1904, immediately preceding the investigation, of 84.8 per centum, thus recording an improvement of 12 per centum. These ratios are determined upon a revenue basis. Tests applied in other ways will show relatively favorable results. This record has been accomplished during a period when the cost of living was increasing, when the purchasing power of the dollar was decreasing, and when we might consequently have expected an increase rather than a decrease in cost.

INCREASING EXPENSES IN CANADA.

In Canada where the investigation followed very closely the lines of that in New York and the legislation proposed was very similar, but owing to the fact that public feeling did not run so high and that some considerable time elapsed before the recommendations of the Royal Commission were considered by Parliament, it was found possible to have many of the provisions of the proposed law modified or eliminated entirely, the proposal in regard to the limitation of expenses coming under the latter heading. Viewed in the light of present experience the wisdom of that action would appear doubtful inasmuch as a careful analysis shows that the expenses of the business in Canada, measured on the foregoing basis, are on an ascending rather than a de-

scending scale. A reasonable limit imposed upon the cost of obtaining new business, leaving the companies free as to the mode or basis of agency remuneration might have proved beneficial.

(To be continued.)

ROYAL EXCHANGE ASSURANCE.

Among the insurance companies who are comparative newcomers to the Canadian field, there is none with a higher reputation than the Royal Exchange Assurance of London, England. Founded so long ago as 1720, when George the First was King, the Royal Exchange has for generations enjoyed a reputation synonymous with the best traditions of the City of London. Great age has given it no tendency to decrepitude. On the contrary, while wisely retaining an appropriate dignity, it has not been at all backward in the adoption of new methods rendered necessary by change of circumstances and modern environment. Transacting a world-wide business and writing almost every kind of insurance, the Royal Exchange is known in every insurance field as among the leaders in legitimate business enterprise.

CANADIAN ORGANISATION.

The Royal Exchange entered the Canadian field for fire business so recently as November, 1910, yet last year (1912) its Canadian fire premium income reached the substantial figure of \$331,248, while the losses show the exceedingly moderate ratio to premiums of 38 per cent. The figures speak for themselves as to the progress which has been made thus far by the Canadian organization of the Royal Exchange under the direction of Mr. Arthur Barry, general manager for Canada. In addition to its fire business, the Royal Exchange is now engaged in building up a Canadian casualty department, writing sickness, accident, liability (of many kinds) and automobile insurance, which bids fair also to develop important proportions. Having the advantage of influential Canadian directors—Mr. H. V. Meredith, vice-president and general manager of the Bank of Montreal; Dr. E. P. Lachapelle, of Montreal; and Mr. J. S. Hough, K.C., of Winnipeg—and of a well located Canadian office—its own building in the heart of the Montreal financial district at the corner of St. Francois Xavier and St. Sacrament streets—the circumstances are such as to bespeak for the Royal Exchange in the future an important position among the insurance organisations transacting business in Canada.

LARGE RESOURCES

The fire department of the Royal Exchange last year enjoyed a premium income of practically \$4,200,000, an advance of about \$200,000 upon that reported for 1911. Losses were on a moderate scale, absorbing \$2,178,950 or under 52 per cent. of the premiums. An addition of some \$80,000, to maintain the 40 per cent. reserve against unexpired risks, was made to the fire fund, this being raised to \$1,929,215. The large profit and loss balance of \$2,560,375 makes the amount available to meet fire losses, \$4,489,590, an increase of \$240,000 upon 1911, and equal to 107 per cent. of the premium income. The total resources of the Royal Exchange exceed \$35,000,000.