

known in France, and in their place the offices have large storerooms filled with original documents. The necessity for the company having an original document signed by the insured arises from the fact that policies as a rule are made out for a term of years—not the ordinary long-term policy with premiums paid in advance, but with premiums payable annually in the ordinary course on the anniversary of the date on which the insurance commenced. There are no quarter days. The policy consequently contains an undertaking on the part of the insured to pay these premiums during the prescribed term—generally ten years, but sometimes twenty. In virtue of that undertaking the company can sue for the premiums, which the insured, or his heirs in case of death, are bound to pay. Even the disappearance of the property covered affords no legal defence to a claim for payment, although in practice a company will, in such event, consent to cancellation on payment of an indemnity equal to two years' premiums. Sometimes—but this is the exception—policies contain a clause by which both parties reserve the right to cancel on any annual expiry date on giving notice, generally one month in advance. I do not require to point out to an audience of insurance men the enormous difference in the position of the offices which arises from this state of matters. Stability of business is, of course, the outstanding first result, as it is evident that clients bound hand and foot for ten years do not require nursing as do those who can "slip their cables" at the end of any year. It is also evident that the ties which bind an agent to his company are not readily broken when he knows that, if he leaves that company, he must, for many years, sacrifice the commission on his connection, and when he realises the fact that a company which has held and satisfied a policyholder for ten years has established a connection for itself, which is not always to be broken at the agent's call."

DISCOUNTING COMMISSIONS.

Arising out of these long-term policies, there has grown up a system of competition by commission inducements. It is now the universal practice on the part of French offices, and those foreign companies who aim at doing a general business in France, to discount commissions on all except the heavier hazards, that is to say, to pay in cash on the signing of a policy the whole or an important part of the commission which is due on the whole of the annual premiums payable under the contract. In Paris, the paradise of the insurance broker, the whole commission is paid in advance at the rate of 25 per cent. per annum, sometimes at 30 per cent., which means that the commission on a ten years' contract amounts to 250 or 300 per cent. of the first year's premium; that is two and a half or three years' premiums. In the provinces the custom is to pay, the first year, a portion of the commission equivalent to one or one and a half years' premium in the smaller towns, up to two years' premium in the chief provincial centres, together with an annual commission of 10 or 15 per cent. on the premiums as collected. Nominally the agent is responsible for a refund of commission if the policy lapses before maturity, but this is rarely exacted if the concealment takes place after five years' premiums have been paid. As to the consequences of this system, Mr. Robertson writes thus:—

"This system, which has not grown in a day, but has been evolved in the course of the century during which French offices have existed, is apparently all against the companies, and certainly it opens the way to a multitude of abuses. But while there are periodic outcries against the iniquities which follow in its train, there are no signs of any serious attempts at any radical change. For established companies which have reached the stage at which the heavy commissions on new business are balanced by the large bulk of premiums carrying a small, or possibly no renewal commission, the total outgo in any year is fairly normal, and although the percentage is nec-

essarily high, still there are other factors which carry compensation. These established offices, while they see the evils of the system, hesitate to make any move which would lessen the commanding position they hold as against any new companies appearing in the field. It is self-evident that a new office starting in France must be prepared to face very heavy deficits in the earlier years of its operations, as necessarily its outlay for commission alone must far exceed its income in premiums, independently of losses and expenses; and you can readily imagine that investors are not easily found willing to provide capital for a concern which cannot by any chance reach a dividend-paying basis for seven or eight years at the least. The consequence is that there have been no fire insurance promotions of any consequence for over twenty years, and of the youngest of the established companies two are still only in the struggling stage, and have been able to reach a dividend-paying position only after writing off, by a reduction in capital, an accumulation of discounted commissions which otherwise would have strangled them. The discounted commission practice, then, though costly and admittedly indefensible from the point of view of insurance economics, on this account fulfils a useful purpose, and cannot be abandoned lightly. It has, however, other disadvantages from the point of view of pure underwriting, as it introduces into the task of the official, whose duty it is to accept or refuse business, considerations which savour rather of the money-lender's den than of the underwriter's room. Not only must such officials set themselves to solve the problem—which all of us know to be in itself no mean task—of judging whether a particular risk is good or bad, but he must also estimate whether it will last. A loss on commission has to be avoided as well as a loss by fire, and sometimes it is not easy to determine—in case of an alteration in hazard, for instance—whether it is better to face a certain loss of commission by cancelling an insurance which has become undesirable or to save the commission loss and take the risk of a possible fire."

POSITION OF THE FRENCH AGENT.

As regards organization, in France branch offices are unknown. Apart from their head offices, situated in the case of all the stock companies of any importance in Paris, the companies have no premises of their own, the business in the provinces and even in the immediate surroundings of the capital being carried on by agents. The practice is to allocate to each agent a certain district of which he has a monopoly and which he exploits as best he can. In the case of the larger towns an insurance agency is a lucrative position much sought after. In such circumstances the agent devotes himself entirely to insurance business, and, in many respects, fulfils the duties of a branch manager. He has full power of attorney, issues his own policies and renewal receipts and generally manages the business of his agency under the general supervision of a Divisional Inspector. At the same time he occupies his own office and employs his own staff, and to a certain degree has a proprietary interest in the business of the agency. The agent employs, for the proper exploitation of his district, sub-agents in all the smaller towns and villages who are entirely under the control of the chief agent, who in turn, is solely responsible to the company not only for the cash actually collected, but what is sometimes a more serious responsibility, for the return commissions on business cancelled before maturity. There is no rule against rebating and there is reason to believe that the large sums obtained in the way of discounted commissions are more often than not shared with the insured. In Paris, in fact, it has become an established practice to give the insured his first year's premium free, and if a client goes direct