

proper inquiry he educates himself, avoids demoralizing the business, and takes a manly position that every right-thinking person in the business must respect. A minute ago I said the experienced local agent was most competent to rate 90 per cent. of the business at his agency, but bear in mind I did not say the local agent was the proper man to rate his town. I do not think he is, for the two following reasons—I could name more—

1. An agent cannot make rates without co-operation with other agents, and we nearly always find a sufficient element of inexperienced agents, and, I am sorry to say, unprincipled ones, to nullify the wisdom of those having experience. 2. It is sometimes opposed to an experienced agent's interest to make a proper rate; for example, 2 per cent. is a fair rate on a given risk, the line carried is \$60,000, total premium \$1,200. Each of three agents gets \$20,000, premium to each \$400, commission to each \$60; now, Agent A may be competent to rate the risk, and know that 2 per cent. is correct; but if he can carry the risk for 1½ per cent. assured will give all the line, instead of 1-3, and by reducing the rate 25 per cent. at the expense of his companies, he increases his commission to \$135. Now such a state of facts too frequently offsets the competency of a local agent as a maker of rates, and if Agents A and B in the given case are virtuous enough to resist such temptation, Agent C may force the position upon them.

While perfectly satisfied that the local agent is not the proper person to make rates, for the two reasons named, even if there were no others, I am not prepared to say that under certain circumstances he is not the best person to make rates. The first essential to making a tariff is to have the co-operation of all important agents and companies at the point it is intended to rate; that secured, the next question is, who shall make the rates?

1. I would say, a manager, with compact, if the premiums of the place would warrant the expense. 2. If a large city, with good agents, let them run it their own way, with some one independent to make rates, as at Louisville, etc. 3. Classify your towns, and have a basis for each class, to be applied by State Board. 4. Let agents make their own rates, where co-operation cannot otherwise be obtained. Such a tariff is better than none, and for honest companies and agents, better than an iron-clad tariff not observed at all. 5. Where co-operation cannot be obtained, on account of unruly or disloyal agents, whom companies will not remove, better fight it out, as long as they are kept from raiding towns that have a tariff.

Now, the main use of the compact is to relieve the local agent of responsibility in this direction, and we thus retain the benefit of experience, without the evils of inexperience operating against it. We also retain the benefit of experience, without its being seduced by personal interest.

Another important use of the compact is the certification of rates, and checking of return premiums, thereby establishing a degree of confidence among agents that secures them all as associates (that result has practically been proved), and where an agent would sometimes like to roam at large in a pasture where others were tied up, we find his companies, non-board as well as board, have sufficient respect for the system not to consent to his being outside, and, by a happy combination of circumstances, we find (I think with only two unimportant exceptions) that all agents and companies are united, where the compact exists. In the old days insurers came to the agent; but "times change and men change with them," and the business now has to be solicited. Thus, an agent acts in a dual capacity, viz., an agent for the company, and solicitor for business. If you stop to think a moment, these are two distinct positions. Now, if any man is solicited to buy or sell any given article by two or more persons, he weighs the advantage of one against the other; and if he knows it is possible or probable to get a modification of terms in buying from any one solicitor, he is going to dicker until he gets some advantage, and then perhaps find some one else made a little better terms; he is disgusted with the whole business, and looks upon it and those engaged in it with distrust, and avoids the commodity, if he can do without it, but, if necessary to again enter the market, he fights still harder for concessions, and so on *ad infinitum*, until an insurance agent is looked upon with less sympathy than a tax collector.

Here again the compact system comes to the rescue. There is one price for a man's risks, and he knows that his neighbor has only one price on his risk; that a general equalization has taken place; that he has not got to fear discrimination (the fear of which causes closer figuring than anything I know of), and, after the first natural antipathy to an advance has worn off, the business men, with scarcely an exception, respect the companies, agents, and all engaged in the business. We cannot expect the public to open their arms and praise our plans to make a profit on our policies; they would sooner get them at or below cost, the same as we would their commodities; but rest assured (with the exception of a chronic bear or two, who are always growling at anything within reach) one of the most important uses of the compact is that it has gained respect for the insurance business in every community where it has existed for twelve months.

After speaking of the abuses of the system Mr. Mullins deals as follows with the matter of expense:

A great deal has been said by companies who were fearful of too large an expense account with the system. I must confess I did not share this dread, being satisfied the results would fully justify the expenditure. I wrote to ten of the managers of principal compacts for figures, and got nine replies. The Denver figures I do not publish as they would be misleading, the premiums only giving Denver, while the expenses include work done at many points in Colorado, New Mexico and Wyoming. Each manager gave net premiums for one year, and the expenses of that year. The eight places covering a large and varied field are Detroit, Grand Rapids, Kansas City, Minneapolis, Peoria, St. Paul, St. Joe and Saginaw Valley, the total premiums being \$2,690,562, and the expenses \$30,346, equal to 1¼ per cent. on the net premiums. True, this is larger than the expense of well conducted local boards, but fair results were not obtainable through the medium of boards, and, compared to the gains, the expense is quite secondary. Naturally, the highest percentage of expense obtains where the premiums are smallest, and lowest where large premiums and high rates are obtainable, on account of large manufacturing industries, as with the flouring mills at Minneapolis. Many things have to be considered before unduly criticising a high rate of expense at one place, or unduly applauding what appears to be a low ratio of expense at another. In the future I think we may confidently look for a gradual reduction in expense percentage for the following reasons: 1st, Because those given include many necessary preliminary expenses, such as office furniture, full outfits of stationery, and other matters incident to inauguration and first year's work of the system. 2nd, Because the premiums will be larger, the benefit of all advances coming into play on the second and following years, which only partly operate in favor of income during the first year.

The paper then proceeded to speak of the future promise of the system and some of its possibilities, and, passing to the subject of compact managers, closed as follows:

GENTLEMEN: I have left this point until the last, not because it is least, but because I want it to have your careful consideration. I have a great deal of sympathy for these gentlemen, and we should be exceedingly careful in criticising their actions or methods; above all things, never do so on ex parte statements, and except for extreme causes; never do so publicly. It is neither just nor reasonable to expect them to be immaculate, or that they should be weighed in a diamond scale, while we want our own measure taken by a public scale. Those gentlemen stand in the centre of a square, with the public on one corner, the agents on another, the specials on another, and the companies on the fourth. He has to be the target for the arrows of all of them, the assured wanting a low rate, and some agents wanting any form or rate that will capture or retain a risk; the special, ready to challenge the manager's judgment on some point he wishes to please his agent about, and the companies anxious to keep expenses down and rates up, and other little ideas of their own they would like to see incorporated in the workings of the compact. Now, gentlemen, I do not believe any one in this room is so conceited as to think he could fill such a position without some one being more or less dissatisfied sometimes. The marvel to me is, on the whole, that