

THE PROBLEM OF LAPSES.

(B. W. N. Grigg, B.A., *Mutual Life of Canada*,
Before Insurance Institute of Toronto.)
(Continued from p. 1437.)

We do not sufficiently realize that we have a duty in this connection. To eliminate this waste is a moral obligation. Corporations are said to have no souls, but it is untrue. Every corporation has a soul. It is a matter of quality. The soul of a corporation is its chief asset. A corporation without a soul cannot live any more than a human body can survive without a soul. The more healthful it is morally, the longer the corporation will survive and flourish.

GAIN AND LOSS EXHIBIT.

There is a certain advantage to the company and also to the agent in concentrating thought and energy on securing new business rather than upon retaining the existing in force. But too much may be sacrificed. When the contract is made, the client becomes, so to speak, a ward of the company, and as such is entitled to the best service we can render him. We must consider this relationship. If we gain rapidly in new business, meanwhile losing from neglect of the old, the business advances at too great an expense. Being in a great measure neglectful of lapses, etc., makes the growth of a business very costly, and the prospect of good dividends more remote. Yet that is practically the principle upon which Canadian offices are proceeding to-day.

THE RAGE FOR BIGNESS.

The third cause of lapses is a desire to outclass other companies in the amount of business in force. The fundamental cause of lapses is the ambition for rapid expansion. This leads to the payment of extravagant commissions for first premiums and comparatively meagre remuneration for renewals. Naturally, the average agent makes new business his especial care, and renewals are left to look out for themselves to a large extent. While human nature remains as it is and our scales of commission remain what they are, we will, of course, have the lapse evil to contend with in an exaggerated form. It is only just that a larger commission should be paid for the first premiums, but it is excessive at the present time and puts a premium upon the neglect of renewals. The attitude of the companies is something like this: they say to the agents, "Take care of renewals, certainly, but remember that the thing is new business. We wish to develop our company as fast as possible. If this can be best done by letting a lot of old business go by the board, while taking on a still larger amount, well and good, but get big we must."

COMMISSIONS.

As a result of the unreasoning chase after new business, extraordinary inducements are offered to agents to secure business on the chance that it will be permanent. Absurd commissions are being paid on first premiums and negligible commissions on renewals. The result is obvious; the reason manifest. In my judgment, our commission system is contrary to the public interest, and if the companies and their agents will not voluntarily remedy the evil, there should be legislation to compel them to do so. It would be a legitimate subject for the life officers to discuss. It is necessary that they should

discuss it together because no company can act alone without results injurious to itself. Unless there is a fixed agreement among the companies, there is bound to be competition in commissions, each company aiming to secure the best man by paying the largest remuneration for collecting the initial premium. Sometimes the entire premium goes in commissions—which is absurd. The Canadian Life Officers should agree upon a uniform scale that would recognize the difficulty experienced in writing the application, and at the same time would value adequately the agents' work in securing renewals. If the present system continues, the agent who makes a specialty of holding old business rather than writing new should be encouraged in every legitimate way.

DRIFTING AGENTS.

Our present commission system injures the agent; and so hurts the companies. Competition in commission paying causes agents to drift from one company to another for the additional loaves and fishes. This makes them soldiers of fortune and destroys loyalty. Moreover, the agent loses the prospect of a permanent income from renewals, he loses the confidence of the client, who, at his solicitation, parted with his good money; last, and worst of all, he loses respect for himself as a professional insurance man. The agent who, after the manner of the old-time spell-binder, grabs a few big commissions and then "hikes out," is no credit to his company or to his business. An agent in signing up with a company should look forward to spending his life in its service, and only exceptional circumstances should justify him in making a change. A large lapse rate is fatal to a lasting connection, because the agent who has such a record loses the confidence of his employers and the valuable good-will of the holders of the lapsed policies, who become his opponents.

REBATING.

This is an evil that has lain at the root of much deplorable lapsation. It is still responsible for a goodly amount of it. We touch a delicate matter here, but we have the evidence of agents of unimpeachable character that in competition they still meet the rebater, in spite of the laws that have been enacted, and which aimed at the elimination of this evil. The most drastic measures should be taken to stamp out what remains of the scandalous iniquity of rebating. It leads straight to lapsation.

WANT OF MONEY.

The fourth source of lapses is the lack of funds. It will occasionally happen that circumstances will deprive a policyholder of a part or the whole of his income, in which case he cannot carry his policy. He may then borrow on it to pay the premium or he may carry a smaller amount on a cheaper plan in place of what he now finds too burdensome. The ingenuity of the agent will often suggest some modification of the contract that will prevent it from wholly lapsing. If the worst comes to the worst, which seldom happens, the policy must be cancelled, and no one is to blame.

LOANS.

The fifth source of lapsation is the abuse of the loan privilege. The privilege of borrowing has appealed strongly to the public, and has won many a policyholder. It is a privilege, but often it has