

INSURANCE EDUCATION IN FUNDAMENTALS.

(Willard Done.)

It is useless to attempt to build up professional and ethical work unless the men engaged in the business know its fundamentals, love the work, and practice ethics. I do not mean by this that the small local agent in a remote town must be familiar with the actuarial and other details of the business; but I do mean that he will be a better agent, a better man, and therefore a better citizen, if he knows and appreciates some of the fundamentals of his business. It has been frequently remarked that to all intents and purposes the agent is to his clients the insurance company, and by him alone it is judged. I have therefore conceived it to be a fact that no agent is doing his full duty who does not know enough about the fundamentals of his business to vindicate it; who is not willing to vindicate it by word and act. Most of the harm that has come to the business of insurance has been not alone through vicious representatives, but through ignorant ones.

INSURANCE EDUCATION.

In line with this idea I have long advocated insurance education, the training of the budding agent in the fundamentals not only of his particular line, but of all insurance branches. I think, too, that every man and woman that goes into the business world should know something of the fundamentals of insurance, just as all are expected to know something of banking principles and practices, and the fundamental rules of trade and other common business relations. And if the people who come only in occasional contact with insurance should be acquainted with its fundamentals, it seems much more necessary that he should be who is giving all or a large portion of his time to the business. True service cannot otherwise be given, and profits resulting from service cannot otherwise be secured. Even now every one may know something of the fundamentals of insurance. The time will soon come when everyone must. This is particularly true of fire insurance, which is not so much a matter of individual option as of business necessity. It is not personal, but commercial. The merchant and the manufacturer must insure for the benefit of his creditors, the mortgagor for the mortgagee, and so on. If one were so careless as to neglect fire insurance personally, his business interests would demand the prudence of insuring his property.

It is a striking commentary on the honesty and ability of insurance men, that people have dealt so long in insurance with such profound ignorance of it, and yet with so little dissatisfaction. This is well stated in the remark of a former president of the United States, who said that whenever a new policy of insurance is delivered to him he throws it in his safe deposit vault without reading it. His act, which is common to nearly all business men, is due not to indifference, but to confidence; and it indicates his implicit faith that his rights will be safeguarded. Or, paraphrasing a famous advertisement, "He pays the premium, the company does the rest."

EDUCATION AND CONSERVATION.

If insurance is suffering at all in popular estimation, it is because of the acts of the few ignorant

and dishonest men that have fastened themselves on the business. It is in spite of the honesty and efficiency of the vast majority. Business men know that every line of activity is cursed by a few hangers on who will not "tote fair." Traffic regulations are made for the careless or vicious traveler. The careful man can do without them. So with other restrictive laws. So with adverse public opinion regarding any business or activity. The few that prove themselves unworthy inflict damage on the vast majority of worthy men.

There would be so much less adverse public opinion regarding insurance if we had taken an earlier initiative in the work of education and conservation. It is true the companies and their representatives have done very much. But others, with destructive rather than constructive motives, have been active in shaping public opinion and enacting legislation to reflect it. This adverse movement has had its root in the actions of the few above referred to. It is up to the majority now to vindicate their business and forward a constructive movement. No business should be judged by those who disgrace it. We have it in our power to make the people judge it by those who honor it. The power implies the duty.

FUNDAMENTALS OF FIRE UNDERWRITING.

As men become better acquainted with their chosen work in fire insurance they will be better qualified to act as teachers and advisors of the people with whom they deal. There are fundamentals of the business which every property owner should know. The one broad principle which should be most strongly impressed is the essential mutuality of the fire insurance company. Those who are engaged in the business of fire insurance naturally hear a great deal about mutual insurance and its supposed advantages over that furnished by the stock companies, in its alleged direct appeal to the insured. Advocates of this form of insurance are continually inveighing against the excessive charges and large profits of the stock companies. They advocate their plan of insurance on the ground that it is furnished at cost and these side profits are eliminated.

The answer to this is simple. Underwriting furnishes no profits in the stock companies. More commonly underwriting loss is made good from investment profits. Expenses of management are moderate, and the stock companies will compare favorably with the mutuals in this respect. This leaves fire losses as the one great determining factor in making rates, and here stock companies and mutual companies are on exactly the same level. In both cases the loss determines the rate.

If this one fundamental principle can be impressed upon the minds of the insuring public, and they can be made to know that every fire prevented is a benefit to the public much more than to the insurance companies, a great work will have been accomplished.

C.P.R.'s net earnings for June—the last month of the financial year—were \$7,512,033, a decrease of \$2,542,388 and net earnings, \$2,678,030, a decrease of \$657,593. Earnings for the complete fiscal year, according to the monthly returns, are \$98,865,209 gross against \$129,814,823 in the previous year, and \$33,574,627 net against \$42,425,927.