COMMISSIONS IN THE LIABILITY BUSINESS.

The following is the text of the announcement made by the Maryland Casualty Company to its agents regarding commissions on liability business, which is referred to in the front page editorial:—

Repeatedly, and in various ways during the past six months, the portentous condition of the liability insurance business has been plainly set forth. The great increase in losses and loss ratios, and the permanent nature of the causes thereof, indicating clearly the permanence of these heavy ratios, have been stated unreservedly, though in general terms.

Now, having the record of the first six months of 1913 before us, we earnestly ask every agent of the Company to read the following figures and to regard seriously their significance.

Our earned premiums for this period on all forms of liability policies were $1,639,373.37. The losses and loss expenses were $1,184,739.73 and the expenses were $657,991.23, making a total outgo of $1,842,730.96, thus producing a net cash loss of $203,357.59 in six months on the liability department of the Company's business. It has been an axiom in liability insurance statistics that "cash in and cash out" results are misleading. But, as to these figures, that statement fails to have much force, because practically all of our heavily increased loss payments result from 1912 business.

HIGHER RATES OF PREMIUM.

It must be borne in mind that this result is in the face of the fact that the rates of premium have been distinctly higher during the period named than formerly. It is therefore evident that still further advances in rates are necessary.

But it is also necessary to reduce the expense of procuring the business. We, therefore, give notice to our agents that a reduction in their rates of commission on all forms of liability business will be put into effect as of September 1st, 1913, and they will, doubtless, duly notify their respective sub-agents.

Such a measure as this is, we are fully aware, possible of great damage to our agency organization. It offers a tempting opening to our competitors to entice our field men with attractive offers to which the agent's natural resentment against a cut in commissions may dispose him at first to respond. Hence, we have been most reluctant to take this action and have done so only because we are convinced that it is inevitable.

We are confident, however, that very few, if any, of our agents will leave us. We believe they will, upon full consideration, recognize the wisdom and the fairness of our action, and will approve it, and will adjust themselves and their affairs to this change in the rate of their compensation for liability business.

COMPANY LOSING HEAVILY.

This confidence lies in our knowledge of certain facts which will be admitted by our agents and which are as follows:—

1st. Our agents have made a good profit on this class of business every year, while for the entire fifteen years of our history the Company has barely broken even on it, and is now losing heavily. They will therefore acquit us of "squeezing" them for our own profit.

2nd. The reduction in commissions would have amounted to not quite one half of our net loss if it had been in effect the past six months. We are, therefore, not asking the agents to bear it all, nor even half of it.

3rd. At the advanced rates already in effect, and at the additional advances in rates which must come speedily, the agents' compensation at reduced commissions will be as many dollars as it formerly was at the higher commission, and even more on many risks.

4th. When the assured is required to pay higher premiums he surely and fairly demands that the advance shall be lessened by paying a smaller proportion of it, *i.e.*, no more actual dollars than formerly, to the agent whose service is no greater.

5th. In a number of States where Workmen's Compensation laws have been passed, agents' commissions have already been reduced on those forms of policies, and there have been no defections from our agency organization.

GENERALLY UNPROFITABLE EXPERIENCE.

6th. We know, from the lips of chief executives of a number of our competitors, that our unprofitable experience as above stated is no worse than theirs. Hence, we know that they must sooner or later also reduce their commission expenses. So that any tempting offer from them to our agents could not be long maintained..........

9th. A plain warning has gone forth from the insurance department of New York. It is a message of wisdom and equity. It expresses the views of all of the most important insurance commissioners. They but echo the voice of the insuring public. Companies and agents who heed that voice will survive and prosper. The others must surely perish.

Because all these are facts, and because you who are our agents know they are facts and can accurately apply them to this present proposition, I (the President), venture with confidence, though with sincere regret that it must be so, to announce this action. It will put a severe strain upon our field men, and we would surely spare you that strain if it were possible. But you have never yet failed to respond to our call and you will not fail us now, we are sure.

THE DEVELOPMENT OF CONSEQUENTIAL LOSS INSURANCE.

(H. W. Connell, Commercial Union Assurance Company.)

(Continued from page 1119.)

In the latter case—that is, where the hands in one process only are on strike—other sets of circumstances arise. To simply matters, let us assume a mill carrying on two processes only. The hands engaged in the first process are on strike. If a fire affects only the machines connected with that process there would be no consequential fire loss so long as the strike continued. If the second process were rendered unworkable by fire, there may be a loss either on account of the mill having stock on hand which was passed through the first process prior to the strike, or because material could be bought elsewhere ready for treatment in the second process. In the latter case the loss would be qualified by the increased cost of such material, the expenditure being occasioned by the strike. Perhaps, however, the necessary material could not have been obtained anywhere if the dispute were a general one affecting all mills alike carrying on the first process. Obviously in that case the loss of profit on the second process would not be due to fire.