

a relation so intimate and inter-dependent must involve ethical considerations of a somewhat intricate character.

We may consider them as existing:

1. Between the company and the individual member.
2. Between one company and another.
3. Between the company and its agents.
4. Between the institution of Life Assurance and the State.

I cannot pretend to discuss any of these themes in an exhaustive or thorough sense, but must content myself with noting a few obvious points, leaving their elaboration to the intelligence and wisdom of an audience exceptionally strong in this respect.

I.—THE COMPANY AND THE POLICYHOLDER.

The first duty of the company is to provide in all respects the most absolute security for the execution of its own contracts. It has the requisite means to do this and the requisite knowledge also of what the condition requires, knowledge usually hidden and mysterious to the policyholder, but plain and clear to the company. To this end the company is clearly bound to fix an adequate premium for the benefit offered, and to stand by it. And the benefit offered should be described in clear and unmistakable terms, if such can be found, so that no delusive, clap trap or catch penny schemes should ever be associated with the honourable name of legitimate life assurance. There is no room for the bargain counter in this business. We can no more cheapen life assurance than we could buy gold dollars at a discount. The only way in which it can apparently be accomplished is by selling life assurance to those who die early at too low cost with the result that others get nothing when their turn comes. There is no reason or excuse for error on this point for the information is just as accessible to Dr. Cronhyatoka, for instance, as to the actuaries of the regular companies. The absolute certainty that all assessment associations, conducted as those of America are, must eventually fail, bringing blasted hopes, cruel disappointment and in some cases utter ruin to thousands of their credulous dupes, justifies me in condemning these institutions in the strongest terms. There is no excuse for their promoters and no reason for their existence.

But in order to the proper discharge of its duty to its policyholders the company must not only secure the necessary premiums to provide for its own permanency and the fulfilment of all its contracts, but must faithfully lay by that portion of its income needed as its reserve, and duly improve the same. This implies that first, its securities shall be of undoubted quality, and secondly, that its expenditure shall be limited and guarded with scrupulous care. I betray no State secret when I affirm that the controlling of expenditure is to every insurance manager who has his company's real interest at heart, a far more worrying problem than anything connected with his investment department. We have fallen upon a time of reckless extravagance in the matter of expenditure. Some manager's ambition for BIGNESS at any price, have set a terrific pace, and the rest have felt obliged to go further than their own judgement would approve in the same direction. I take leave to doubt whether a manager or a board has a right even under this peculiar temptation, to deal so with their policyholders' money. Even if the right were clear, may it not be possible that the company which plods along in a careful way, making slow but steady growth with comparatively light expense and increasing its surplus and profit distribution from time to time by means of satisfied policyholders, will win out in the end. I admit that the public is slow to discern between merit and pretence in life assurance. It is inclined to follow a fakir with a brass band quite a distance, but uncle Abe used to say "you can't fool all the people all the time." Merit will tell in the end. I would suggest that after a company is fairly on its feet its expenses should be kept pretty close to the loading on its premium income. The saving from suspended mortality cannot be safely drawn upon for expense, and surely the gain in interest received over the assumed rate ought to go to surplus and contingent account.

As the great majority of policies exist at present with profit plans, the company is bound to exercise reasonable care to apportion to each its equitable share of the surplus. How this can best be done is an actuarial question into which I do not propose to enter. It has been hinted that such a thing as the apportionment of exceptionally large profits to a selected list of policyholders, whose wonderful results were duly blazoned forth in advertisements, is not unknown on this continent. If so, I trust the practice went out with the late century and that nothing so grossly unjust will ever appear in the twentieth century.

A dangerous tendency has recently appeared in the form of the offer by some companies of perilously large Cash Surrender Values. Perhaps I may be set down as a crank or a benighted person, if I rankly say that I am opposed to placing cash surrender values on policies at all. I see no good reason for making these doors that open outward, so very alluring, and to enter into sharp competition with each other as to who can offer the biggest bribe to our customers to leave us. This does not strike me as a very clear mark of wisdom, seeing we have just been at infinite pains and very great expense to get them in. The Cash Surrender Value is the lever which the policy twister finds most potent in his nefarious work, and is the cause of a heavy proportion of the lapsing we all deplore. But if we will attach

cash surrender values what is the sense of guaranteeing profits also, by placing the guarantee higher than the reserve? That is surely a piece of recklessness that bodes ill for the future of the business. Is the persistent policyholder, necessary as he is to the very existence of the company, entitled to no consideration at all? Why should his interests be imperiled for the benefit of the retiring member?

II.—BETWEEN COMPANIES.

Ethical relations subsist between companies because points of contact exist. Rivalry and competition there must be, particularly in a narrow field like the Canadian, with eighteen home companies competing for a limited business, besides formidable rivals from Great Britain and the neighbouring Republic.

It may be assumed in general that any company licensed by the Dominion Government is respectable enough and secure enough to deserve decent treatment at the hands of every other. If this be so, we are safe in naming the following offences against insurance ethics that ought not to occur:—

1. Circulating defamatory circulars or letters in the public press to the damage of another Company.
2. Circulating invidious comparisons between Company "A" or "B" and our Company.
3. Offering inducements to the agents of Company "A" to resign and take service with ours.

These offences, particularly the first and second, are damaging to the business itself as well as injurious to the companies involved in the strife. Common prudence should dictate the wisdom of keeping out of the public press all quarrels or difficulties that may arise between companies, and I am sometimes amazed to see able and clever gentlemen so far forgetting the true interests of their profession as to allow their testy tempers to draw them into newspaper controversy on such points. Of course, nothing I have said is to be understood as condemning the exposure of delusive or fake schemes wearing the mask of insurance for the purposes of fraud.

III.—BETWEEN COMPANY AND AGENTS.

The Agency staff is the builder of every company's business. Insurance is hardly ever sold over the counter. It is sold by the hustler, and the man who can hustle effectively is in such demand that he can almost dictate his terms. In fact there are hardly any conceivable terms a field man could not get, provided he can do business enough to earn them.

So I need hardly attempt to lay down rules to guide the company in doing the right thing with its field men. They are in a position to maintain their rights. On the other hand their duties may be worth a moment's consideration. Obviously it is the duty of the agent to satisfy himself that the man he writes is, as far as he can judge, a good and acceptable risk, and one who will be likely to meet his first premium and keep up his policy. No company wants people who will only pay their first premium. It is equally clear that an agent, especially one on salary, is simply dishonest, if, to keep up an appearance, he writes business on straw men, taking notes that he ought to know will never be paid. The agent who does this kind of thing usually makes the round of half a dozen companies in as many years, and is then retired from the business, but not on a competency. Ambitious superintendents and managers of young companies usually get their share of experience with this type of agents.

If it be unrighteous and also unwise for companies to abuse each other, it is equally so for agents to indulge in controversy. It pays best and is best for every agent to treat every other as a gentleman until he has the most conclusive proof to the contrary. The abuse of another hardly ever gains a risk—it often loses one.

If an agent finds a man insured in another regular company he should never allow himself to breathe a word against it. He should admit at once, if it be true, that the policy is a good one and in a good company. That will do him no harm. The tendency will be to convince his hearer that he is fair and honest and so far confidence is won, which may be half the battle. If he can carry more insurance such an agent can probably write him. In any event he has no business to worry him by causing him dissatisfaction with a good policy because it is in another company.

The question of when an agent ought to quit the field of competition with others for a particular risk, frequently arises in practice, and while no hard and fast rules can be laid down, it is safe to say that when a man has actually signed an application with one agent, the others should drop the contest at that point. All attempts to dislodge the risk after the application is written, and still worse, after the applicant has been examined, are to be condemned. Cases have occurred where a man has been coaxed to repudiate his first premium, by a rival agent in order to re-capture the risk. Such an agent ought to be advised to spend his time searching for another application. There must be finality to every contest of this sort, and it seems to us, the best point at which to close the contest is at the completion of the application.

IV.—COMPANIES AND THE STATE.

The relations of insurance companies with the State involve some duties both ways.

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