there can be no possible objection to this distinction in compensation in different cases, if it is in uniform proportion to the value of the different policies to the company; but is this wholly true as regards customary present rates of commission?

Is a one year term policy as valuable as a ten year term policy, and is the latter as valuable as a term policy for twenty years?

Is a one year endowment insurance policy as valuable as a twenty year policy of the same sort, and is a twenty year endowment insurance policy as valuable as a forty year one?

Insurance or Investment.

I think no well informed insurance man would question that, other things being equal, the value of a twenty year term policy is greater than that of one of shorter duration, and present rates of commission do not conflict with this conclusion; but would it follow that his opinion would be reversed in the case of endowment policies, or would he consider such a policy more valuable in proportion as the term might be short? I have not specified whole life policies, because they are recognized as being mathematically and practically the same as endowment policies of the greatest possible duration. It is also recognized that an endowment policy is a compound of pure insurance with pure endowment, or of temporary insurance with pure endowment, or of a diminishing amount of insurance with an increasing amount of investment, aptly called self-insurance by Elizur Wright, and if an endowment policy is of more importance to a company in proportion as the term may be short, then what other explanation of the fact is possible except that investment is of more importance to a company than insurance? If this is granted to be true, then there would appear to be no radical objection to present customary rates of commission, which allow the highest amount of compensation per $1,000 for a 10 year endowment insurance policy, or one of the shortest term for which premiums are commonly published. But who would not say upon due reflection that there must be some mistake in such an assumption, for it would imply that it is more important from an insurance point of view, for a man to do that which would enable him to provide better for himself by a given amount of outlay than for his dependents in the event of his death, certainly if in the event of his surviving the endowment period, the proceeds of the policy would be payable to him, and not to them. His choice of a short term policy would be a sort of evasion of his insurance duty in many cases.

Agents surely do not take such a view, when they argue that no matter how well off a man may be, he has need of insurance, and any circumstance, or reasoning, which discredits the value of insurance, cannot be more in opposition to the interest of any persons dependent on insurance for their living, than to them. Trusting that these observations are sufficient to prompt them to consider whether customary rates of commission are really for their advantage, and to doubt if it is their interest to oppose a change of rates of compensation, so that they shall be greater in proportion as the terms of the policies secured may be long, whether applications are for term or for endowment insurance, I will close with a few statements which I hope may help them to perceive that the change would certainly be for their advantage, rather than otherwise.

Reasons for Change.

I noted at the outset that if policies of all sorts were of equal value to a company, then the pay of an agent for every application of the same amount should be the same. Now, in the case of endowment insurance policies, their pay is greater in proportion as the terms of policies may be short; but suppose it were greater in proportion as the terms of the policies were long, but sufficient, which would always be possible, to make their total compensation the same, would they then lose by the change? Certainly not, and if it is further considered, which is well-known to be true, that by far the greater number of policies applied for must be of long terms to cover natural insurance needs, does it not follow that in zealously seeking applications for which they would secure the highest amount of pay, as they naturally would, agents would hold it in their power to increase their pay on the whole, by accepting the change. As it is now, they are spurred on to hunt for applications for short term endowment policies, to the detriment or neglect of their ostensible duty to solicit insurance, and unfortunately for them their search when thus diverted is as fruitless and as little productive of really good luck or great results as gathering four leaf clover. The premiums necessarily charged to cover these excessive commissions make it demonstrable by the simplest sort of computation that every applicant for such a policy would gain by having the insurance alone, and investing the excess premium otherwise, which fact naturally and justly makes it harder to secure such applications than it should be. Every man invests his spare means in some way, and usually without being solicited. When this misdirection of their energy is removed, the general productiveness of agents will increase. This has been proved in practice.

WALTER C. WRIGHT,
Consulting Actuary.

May 25th, 1911.

There is no doubt about the present methods of commission payments in vogue on this Continent being radically wrong, and any effort to remedy in some degree their imperfections should be welcomed. It is true that the present system of graded commission terms is an attempt to approach the doctrine enunciated, but even it falls short of the mark, for in most agents' contracts, even with the lower percentage of commission, the actual cash payment is greater on a short term endowment. The plan in vogue in the old country of allowing the uniform commission of 1 per cent. on the sum assured for all ordinary plans of assurance is perhaps the most commendable in present practice, and in a measure overcomes the difficulties mentioned.

From an office point of view, provided premiums are properly computed, the longest term policies are looked upon with the greatest favour, and it follows that the companies would be the first to encourage any practice which led to an increase in the proportion of policies on these plans, and, therefore, properly speaking, they should allow a high cash commission on these policies. But this does not hold in practice, for, notwithstanding the lower percentage of commission on policies of shorter terms, the actual cash commission payment is generally higher than on long term policies. If offices were to adopt the system suggested, it is extremely likely that most of their premium rates