

# EMPLOYERS' LIABILITY ASSURANCE CORPORATION.

The Employers' Liability Assurance Corporation of London has issued a descriptive booklet of its new office building which is being erected at 56 Maiden lane, New York. This is to be one of the handsome new insurance office buildings which are growing up in that section, making it the center of the fire and casualty insurance business in America. The building will probably be ready for occupancy about next March, and it is understood that several companies are now considering locating in it on account of its particular structural conveniences.

## NORTHERN ASSURANCE COMPANY.

The Northern Assurance Company, London, Eng., has appointed Mr. Herbert Stannard Gayford to the position of secretary. Mr. Gayford has been assistant secretary of the London Board for past four years. Mr. H. E. Wilson, general manager, held the position temporarily, during the period in question.

## LIFE INSURANCE ABUSES.\*

By AN ACTUARY.

A few weeks ago I read in an insurance paper these words: "The time will surely come when the merits of an insurance agent will be measured by the profit he brings to his company rather than by the volume of his business." I treasured this gem—for it is a gem—and it contains rich food for thought for every life insurance man who sees it. Whoever penned it, or whoever uttered a sentiment fraught with such undeniable truth, is surely gifted with some measure of prophetic vision of the necessity of precisely such reformation as I am pleading for. I am convinced that the man who spoke or wrote so wisely will be in full sympathy with most, if not with all, the remedial measures that I shall suggest. The above quotation strikes the true key-note. The gauge that will measure the ability of an agent in the near future will regard "quality" more than "quantity," and I cannot help honouring the man who has advanced so far on the right path as to be capable of giving expression to it. It carries with it an idea and principle far too little regarded in the past twenty or twenty-five years—but the invincible logic of facts and effects is forcing it upon us now with irresistible pressure and pertinency. Perhaps the requisite remedies will freeze a good many men out of the business, but I shrewdly suspect that they would be the men whose services yield the least solid benefits to their companies, and therefore, they could be the most easily spared. Their loss would be their company's gain,—a gain in surplus producing business, and at the same time there would also be a per-

ceptible diminution of the drain upon accrued surplus inseparable from a forced and non-persistent business.

Servile adherence to a policy dictated by error and misconception, and the blind pursuit of erroneous principles is the royal road to irretrievable disaster, and those who persistently determine to follow it must be void of all excuse.

The three principal causes to which nearly all our latter day troubles are referable are

1st. The excessive commission paid to the agent on the first year's premium on the insurance he writes;

2nd. The pernicious and widespread abuse of giving away to the insured a material part of the commission so allowed—commonly called "rebating;"

3rd. The concentration of responsibility in the hands of State or Department managers, and the resultant breaking down of the sense of individual responsibility for the quality of his work, that every really valuable sub-agent must necessarily feel in order to do "good" work.

The second cause becomes merged in the first, because it is only because of the high rate of first year's commission that the practice of giving rebates is possible. Rationally, if the cause be effectually removed, the logical effect of it must disappear. The remedies I propose are:—

1st. To materially cut down the first year's commission, and raise the renewal commission to a figure that would constitute the very strongest incentive to the agent: first, to secure nothing but *good and legitimate business*; and second, to *retain it upon his books*, and do everything in his power to encourage its persistency.

2nd. To gradually break up the large territories entrusted to the supervision and working of general agents; and to contract with successful men, now working as sub-agents, to act as managing or general agents in comparatively small and easily handled areas of work.

3rd. The very careful adjustment of any salary compensation allowed to general agents, so as to restrain it within the limits of his personal needs, and put it out of his power to use any part of this compensation to enable him to bid more for business than it is really worth.

4th. The total abolition of the vicious and unreasonable system by which bonuses are offered for extraordinary efforts in securing large lines of business—generally resulting in procuring business of a character that makes it not worth having at any price.

If these suggested remedies were put into practical effect, I am quite satisfied that inside of two years the ratio of lapses on new business would show an astonishing reduction; and the character