

## COMPENSATION COMMISSIONS

### Brokers Favor Limits

Very significant action has been taken by the Brokers' Association of Massachusetts regarding commissions for the procuring of compensation risks. The association stands for limited commissions, and has passed a resolution to that effect. The association proposes to study the matter further and then deal with the subject directly through the legislature. The resolution passed by the brokers follows:

"Resolved, That it be the sense of the Insurance Brokers Association of Massachusetts that the acquisition cost of 'compensation' insurance on which the premium exceeds \$50,000 should be cut to 5 per cent., and the brokerage commission on such 'risks' be cut to 2½ per cent., and that on 'risks' where the premium is between \$7,500 and \$50,000, that the total acquisition cost be reduced to 10 per cent., and the rate of brokerage commission on such 'risks' be 5 per cent., it being the consensus of opinion of the Insurance Brokers Association of Massachusetts that this reduction in acquisition and brokerage commission costs will, if applied to reductions in rate of insurance, produce a fair rate of insurance to policyholders in Massachusetts.

"Be it further resolved that a copy of this resolution be submitted to the Insurance Commissioner of Massachusetts."

The position of the association is stated as follows:

This organization takes the position that while a commission which the broker or agent receives from the small premium on a compensation policy hardly pays for the service rendered to either the company or the insured in handling the business, yet on the very large premium policy the commission paid might justly be considered excessive by the various assured of the Commonwealth.

An example of excessive commission was recently called to our attention. In this case a broker,

possibly through political influence, procured the order to place compensation insurance for a large construction corporation, on which policy the premium was one million dollars, and the commission at 10 per cent., or one hundred thousand dollars, would certainly represent a payment greatly in excess of any service which the broker could possibly render the assured or company in that particular case.

With the increased demands of labor legislation and the meeting of these demands to a certain extent from the standpoint of humanitarianism, the burden of payments under compensation insurance have been greatly increased, and the burden of paying premiums correspondingly increased to the insured.

This association therefore suggested as one measure of relief that on the large premium risks the acquisition costs, including the commission to the broker and agent, be radically reduced, and that this saving in cost be given to the assured of the State by way of a reduction in rate, pro rated over the various classifications."

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