

### ARE INSURANCE COMMISSIONS OF A CORRUPT NATURE?

A bill before the Imperial Parliament entitled "An Act for the better Prevention of Corruption" has raised the question whether commissions paid, or allowed to the agents of insurance companies would come under the Act. Clause 1 in the Bill reads:—

"If any person knowingly gives to any agent any receipt, account, or other document in respect of which the principal is interested, and which contains any statement which is false or erroneous, or defective in any important particular, and which to his knowledge is intended to mislead the principal, he shall be guilty of a misdemeanour, and shall be liable on conviction on indictment to imprisonment with or without hard labour, for a term not exceeding two years, or to a fine not exceeding five hundred pounds, or to both such imprisonment and such fine, or on summary conviction to imprisonment, with or without hard labour, for a term not exceeding four months, or to a fine not exceeding fifty pounds, or to both such imprisonment and such fine."

The British Life Offices Association, according to the "Policyholder," puts the following construction on this clause: If an insurance office issues a receipt for the full amount of a premium, having, however, not received the full amount of the premium but only the amount less the commission paid to the agent, then the office in question would be brought within the meaning of the Bill; and it follows, according to this construction, that if an office may not issue a receipt for the full amount of a premium, an agent would not be able to carry on his business without showing to his client exactly the amount of his commission, for he would be obliged to give to his client a receipt not for the full premium but for the amount paid to the insurance office after the commission had been deducted. Thus, if the premium stated in the policy were £20, and the commission allowed 5 per cent., the receipt issued by the office would need to be for £19, so that the agent would collect £20 from his client and hand him the office receipt for £19 only. An unsuccessful effort was made to protect insurance companies from such an interpretation in consequence of which the Life Offices Association had an interview with the Attorney-General and he, it is said, suggested that the Government might be disposed to exempt from liability under the Bill all life offices who entered into a tariff agreement for the purpose of limiting payments for the procurement of business, and bound themselves by a uniform maximum tariff, a suggestion which that official afterwards declared to be impracticable.

The "Review" with its usual clear-headedness, remarked on this:—"It will be no news to many of our readers that the movement of the Institute of

Actuaries and the Actuaries' Club to reduce the production of new insurances and to augment the bonus-earning capacity of offices controlled by members of those institutions is always alive and always dangerous to the true interests of life insurance from the point of view of public policy. For years past we have heard rumours of a tariff agreement as to commission; we have heard of working agreements as to agents belonging to Scottish societies, and various other devices for reducing responsibility and business. It is not, therefore, surprising that the Prevention of Corruption Bill, which has now reached its final stage in Parliament, should have been made use of by the advocates of a tariff to bring pressure to bear on those recalcitrant managers who are sufficiently commercial to put sound and steady growth of the practice of life insurance as the first object of their efforts, and the distribution of profits to a select few as the second. At a meeting of the Life Offices Association, which assembled to hear a report of their interviews, the actuaries present jumped at the opportunity of carrying out their pet project. Protests by managers who did not belong to the Institutes were ignored. A committee consisting entirely of actuaries was nominated to frame tariff rules, and it would be difficult to describe in moderate language the pressure which is being brought to bear upon the malcontents to accept these rules, at any rate in principle." It is stated that the Law Life and the Star promptly gave point-blank refusals, and that many non-actuary managers strongly support the attitude taken by these companies.

We are inclined to think that the danger is imaginery of commissions allowed to insurance agents being regarded as covered by the Prevention of Corruption Bill. The practices aimed at are the reception of "Vails" or, gifts to servants and officials paid by traders' manufacturers to secure their influence in obtaining orders, such gifts being unknown to their principal, but which he, in the long run, has to pay, for the donor always adds such outlays to the price of his goods, or recoups himself in some irregular way, unknown to the actual purchaser. Gifts of this class are corrupt, for they are secret bribes, whereas insurance commissions are a recognized form of payment for services respecting which there is no secrecy, as the whole transaction is known to the company, to the agent and to the person insured. Considering the circumstances attending the allowance of commissions to insurance agents it is inconceivable that any Court would condemn the practice as a violation of the "Act for the Better Prevention of Corruption."

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OTTAWA CLEARING HOUSE.—Total for week ending 9th July, 1903.—Clearings: \$2,533,383; corresponding week last year, clearings, \$2,283,900.