

I am not prepared to express an opinion as to the value or relative cost of the system thus established. My information is, however, that the rate of commission to agents is so effectively controlled by the regulations of the tariff companies that this element in the expense of insurance business has not proved to be a burden upon the insuring public.

I have stated the practice in England with such particularity because the English example is so often quoted in this country as an argument for giving further rein to competition and as a precedent for absence of governmental supervision or regulation in any manner of the insurance agent's business.

Agency System on This Continent

In Canada and the United States there has been a very different course of development. Here the agent acts as intermediary between the company and the assured in nearly every contract. The general agent, and in some cases the ordinary agent, is given large powers to bind the company. He is supplied with blank policy forms or interim receipts which he is authorized to issue to the assured, thereby binding the company upon the risk, and the company protects its own interest by reserving the right of cancellation of the policy provided for in statutory conditions.

The amount of business received by a company, either at its head office or branch offices, directly from the assured, in respect of which no commission is paid, is very small. There is no flat rate available to the assured, either directly or indirectly, by the allowance of the commission to some other person on his behalf. The gross rate of premium is protected by strict anti-rebating laws of the Dominion.

The rate of commission to be paid becomes a matter of bargaining between the company and the agent, to which the assured is not a party. Even when a broker purports to act for the assured as distinguished from the company, the company determines his rate of commission and pays his fee.

Services of the Agent

It is of great importance to distinguish the duties of the agent and the services which he renders to the company and to the public under the agency system in vogue in Canada and the United States, from the services which I have mentioned as his responsibility in Great Britain.

In Canada the extent and quality of this service varies according to the limits of his authority and his equipment to perform the work. He may be merely a solicitor of insurance comparable to the English agent who establishes contact between an agency firm and the prospective insurer. If so, the remainder of the services of the agent is rendered by a second, or even a second and third agent. But if you collate the efforts of all agents who intervene in a single transaction, whether it be one, two or more, the total service rendered might be described as follows:—(a) Soliciting the risk; (b) inspecting the risk; (c) determining and supervising the covering required; (d) examining the rating fixed by the company or the board of underwriters, and negotiating for a better rate; (e) signing and delivering the interim receipt; (f) collecting the premium and remitting the same, less his commission; (g) recording the issue and the expiry; (h) inspecting the risk during its currency; (i) securing renewal.

Misconception Regarding Agents

Of course there are some classes of risk in which some of these functions need not be performed. The insurance of a dwelling house, for example, does not particularly require either the inspection of the risk or any special negotiations in regard to the rate of premium. In most other lines, however, the above is a fair presentation of the agent's duties and responsibilities. My experience is that the general public has no conception of the nature of these services, the average business man believes that the sum of an insurance agent's business is the soliciting of the risk.

It is this conception which is responsible for the widely-held opinion that the agent's services might with advantage

be dispensed with and the assured allowed to deal direct with the company. They do not realize, and sometimes cannot be persuaded that the other duties may be the more important part of the agent's services, and the part which requires the greater skill and the greater expenditure of time and money to render.

It is most difficult to convince the public that if this work is not done by the agent, the company must establish a service to perform it or prejudice the interests of the public or the assured by its omission. For this conception the agents themselves are largely responsible. The opinion itself is greatly fortified by the existence of certain unfortunate conditions in the insurance agency business, to which I shall refer a little later.

Comparison of Systems

The comparison of the British and the American systems reveals, then, two alternative methods of conducting the insurance business; in each case the system represents the natural and free development of the business in its long history. I am not able to pass upon the relative virtues of the systems for Great Britain; and I am not an advocate, therefore, for a reformation of their system, but I do not hesitate to state that for Canada there can be no doubt that the agency principle of company representation is the more efficient and economical. My reasons for this statement are as follows:—

I regard the agency system in principle as a method of piece-work payment for a necessary and valuable service, and therefore fair in principle.

We have an immense country to serve. Its population is widely scattered and in many districts is very sparse when compared with the distribution of population in Great Britain. The number of branch offices which would require to be established to give reasonable service to the public on the English system is far too great to furnish any possible economy.

The establishment of branch offices and an efficient service organization is a most expensive proceeding, and for a new company entering a field without a ready-made connection it is almost impracticable. The adoption of that system, therefore, would most unduly restrict competition in the insurance business.

Service could not be extended to these small centres of population which the casual agent now serves so efficiently and economically. There would necessarily be a wasteful duplication in the establishment of more than one branch office on behalf of the several companies which require representation where a single agent who might serve all companies will meet the present requirements.

Finally, the very fact that the system is as it is suggests to me that the agency system best serves the requirements of the business. It should be the policy of all supervision and regulation to avoid all forcing of business of any kind into unnatural channels. The free and unimpeded progress and development of a business best serves the interests of all.

Branch Offices Might be Increased

I cannot, however, leave that conclusion without one qualifying suggestion. I believe that in large centres of population, such as the cities of Toronto, Montreal and Winnipeg, branch offices might well be developed by these companies whose business warrants it as a useful regulator, if you will, of the agency business. I confidently believe that if a program of regulation, such as I shall suggest a little later, were adopted, it would make the establishment of such offices much easier.

It must not, however, be expected, or indeed permitted to such branch offices to accept business free of any charge for the service rendered. It would be manifestly unfair to permit the service rendered by the branch office, in lieu of the service of the agent, to become a charge upon the whole premium income of the company, instead of upon the particular part of that income collected by the branch office.