

LIFE INSURANCE COMMISSIONS.

The annual Blue Book, dealing with the returns of Life Insurance Companies, even more than usually belated, has not yet made its appearance, but a number of the companies have lately issued their reports, showing in the majority of cases a somewhat monotonous repetition of the same story—slow but steady improvement.

As a rule reports of this kind do not afford much information beyond bare figures to the share and policy-holders. In the report of the Scottish Widows' Fund, however, there is a clause to which attention may with advantage be drawn. The directors state that "A serious obstacle to progress is the unwholesome competition which daily confronts the officials and representatives of the society, who with regret see large amounts of desirable business taken past them by persons demanding heavy commissions or rebates which the directors have not thought it in the interests of the members to allow."

The management of the "Scottish Widows," an office which has always borne the highest reputation for straightforward dealing, is to be congratulated on possessing the moral courage to decline possibly remunerative business on a question of principle. It may be questioned whether any great amount of the business upon which the extortionate commissions were asked was of a desirable nature, but the accumulation of huge totals of new business has of late years been made so much the standard of progress that a considerable effort of self-denial must have been required in making the refusal.

That the payment of extravagant commissions to agents has been a common practice for years past is no secret, but it is well to think that at last there is some prospect of the better class offices, at least, setting their faces resolutely against its continuance. The rates of commission in connection with fire insurance were settled long ago by the Fire Offices Committee, and have been loyally and rigidly adhered to by the tariff companies. Why there should not be a similar unanimity among life offices it is difficult to understand, and assuredly it would be to the interest of such of them as could afford to come before the public on their own merits to see that the rates of commissions paid were reduced to a uniform and reasonable level.

The insurance companies are, however, doubtless able to look after their own interests, although within the last ten years at least two, whom it is unnecessary to specify, have found themselves financially in awkward positions owing to their endeavors to obtain new business at no matter what cost. Both have now seen the error of their ways, but the disease seems to be spreading to others, and is, we fear, growing.

It is not difficult to see how the present abuse has arisen. The large companies in their competition for business endeavored to steal a march upon each other by offering a small—at first a very small—commission to agents introducing a certain amount of business. Later the higher rate was obtainable practically by anybody introducing a single insurer. The weaker and less attractive offices, finding themselves thus at a greater disadvantage than ever, had no alternative but to offer still larger and larger inducements to agents, until, of late, certain of their number have been known to allow to the agents commissions amounting to 75 to 100 per cent. of the first year's premium, with 5 per cent. on all renewal payments. As a consequence, they have attracted to themselves the worst possible kind of agents and the worst possible kind of business. It matters not one straw to these harpies whether the offices to which they introduce an unsuspecting victim is good, bad or indifferent. Whether the premium charged is high or low, or the bonus earned comparable with that obtained from other companies does not enter into their consideration. It is, as a matter of fact, to their interest that the insurer should pay as much as possible in the way of premium, for thereby their commission is the greater.

The better class companies endeavor, we believe, to meet the special needs and requirements of their customers. They recognize that it is of no advantage to them to induce an applicant to take up a policy for an amount beyond his means or needs, since the greater part of their expenses fall within the first year, and the probability is that after that time the policy

will not be renewed. The free-lance agent, however, who looks for a big commission naturally endeavors to persuade the intending policy-holder to propose for as large an amount as he can, since the major portion of his commission will come out of the first premium, and he can afford to disregard renewals. In this way existing shareholders and policy-holders suffer through paying extortionate prices for ephemeral business, and the insured himself is mulcted of a premium for which, should the policy lapse, as is probable, he receives no commensurate advantage.

A glance at recent statistics show that with certain offices the new premiums have for several consecutive years amounted to from 20 to 25 per cent. of the total premium income, which has, however, progressed in nothing like the same proportion. For the reason that each year a very large amount is required to meet losses.

Probably those who reap the most benefit from the mistaken liberality of the companies are the small and worst kind of money-lenders. In many cases it is, of course, essential that borrowers should be compelled to complete their security by insuring their lives, but even where no such necessity exists it is the practice of many lenders to insist upon a policy being effected for the simple reason that they thus obtain a further 5 or 10 per cent. upon their outlay. Such insurances are generally for ridiculously high sums, and the first premiums are deducted from the advances, with the inevitable consequence that, should the loan be repaid, they are never kept up by the borrower, nor is the lender, as a rule, disposed to pay the renewals for the purpose of obtaining a paltry $2\frac{1}{2}$ or 5 per cent. It has probably never occurred to insurance companies that they are often responsible, through their offer of huge commissions, for the addition of 15 to 20 per cent. to the rates of interest exacted from borrowers who are compelled to seek temporary assistance from professional lenders.

Unfortunately there is no doubt that in insurance matters nothing attracts the public so much as big figures. They give an air of stability, the one essential in contracts of the kind. The enormous totals of new business shown by certain offices cannot, however, be taken as evidence of their pre-eminent desirability, since, as has been shown, it is quite possible that they have been obtained at too high a price, and are of purely a transitory nature. In considering the relative merits of various companies, it is as well to note closely in this connection the amounts swallowed up in commissions and management and expenses. If these are year after year appreciably above the average, it may be taken as *prima facie* evidence at least that the company is not proceeding on sound business lines, and it would be well to give a preference to a more conservative competitor.

It is not to be expected that the evil will be stamped out in a day or in a year, but if the leading offices recognize the fact that not only is the payment of inordinate commissions detrimental to their business, but that it is also conducive to the perpetration of what practically amounts to a fraud on the public by those acting in its name, an improvement will not be long in coming. They will find in the end, we believe, that their business will suffer no diminution, but rather that they will gain adherents through the discredit into which other institutions still pursuing the pernicious practice will assuredly fall.—*London Economist*.

For a week or two, Mr. Anderson, secretary of the London Guarantee and Accident Company, has been in Toronto. His principal errand, we understand, was to appoint a successor to the late Mr. Hubbard, as manager for Canada. There was no lack of applicants, but the choice of the company has been made in the person of Mr. D. W. Alexander, who has been well known in Toronto for many years as a merchant and manufacturer, and as treasurer for several years of the Board of Trade. We have no doubt that Mr. Alexander will throw his and Accident Company, and make his business knowledge and activity tell. The company is a good one, and ranks third in the list of accident companies in respect of volume in force in Canada. Mr. Anderson leaves to-day to cross the Atlantic on his return to London.