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INSURANCE ADMINISTRATION

INSURANCE ADMINISTRATION

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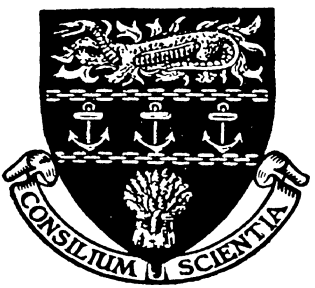
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INSURANCE HANDBOOK No. 7

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PREFACE
TO THE SIXTH EDITION

ORIGINALLY published under the title of "Insurance Office Organization," this book appeared in its fifth edition as "Insurance Organization and Management." With the demand for another edition opportunity has been taken to revise and extend the text, and the book now covers the Chartered Insurance Institute syllabus in Insurance Administration. The title has been altered accordingly.

To our friends who have assisted in the preparation of this edition, we tender our grateful thanks.

It is hoped that the book will continue to be of service to students for whom it has been written.

J. B. W.
H. T.

March, 1950

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CHAPTER I

INTRODUCTORY

A STUDY of Office Administration is of great practical importance to the insurance official, as well as being a necessary preparation for the Chartered Insurance Institute examination in this subject which forms part of the Fellowship examination.

In the following pages an attempt is made to deal with some of the topics which are embraced in insurance administration.

The great difficulty in dealing with the subject is the varying practice to be found in the offices. Whereas the tariff associations have imposed regulations providing for uniformity of rates and policy conditions, any question as to office organization or routine is quite outside their jurisdiction; and though insurance practice is now well established and follows in the case of all offices well defined lines, it is natural that, especially with the older offices, there are many points on which they differ when it comes to mere matters of routine.

In some instances these differences are due to the fact that their clientele is to be found among a certain class of the community, but in many cases it is nothing more than old-established custom. This is not to be deplored—there are several ways of doing a thing, all perhaps equally good, and it would be a great pity for the offices to lose their individuality—and the reduction of the routine of all offices to a set standard would be as much to be regretted as the disappearance of their old familiar policy headings, which in many cases incorporate old firemarks, once a familiar sight in our streets.

The uniforms of the messenger staffs are in many cases copies, so far at any rate as the colours are concerned, of the uniforms worn by the private fire brigades, and the sight of them always tends to raise in our hearts a feeling of pride that we are not engaged in a profession that is but a thing of yesterday. Thus, we have a kindly feeling towards the company which holds its annual meeting "within its house." We admire its respect for tradition.

Enjoying as we do the idiosyncrasies of individual offices, we admit that the fact that these exist makes our task all the harder, and is somewhat of a bugbear to both the examiner and the examinee; but the wise man, if he is in either category or in neither, never forgets that insurance, with its long and honourable past, is a thing of steady growth and progress; and however one may venerate the past and love these old relics of it, there sometimes comes a time when they have to go (a specimen being carefully filed away for use when the tercentenary volume is being prepared) and make way for more up-to-date methods. He therefore keeps his eye on his competitors, lets them try out the new ideas, and, if they are found efficacious, installs them in his own office or prevails on the powers that be to do so.

In the following pages will be found a miscellany of information culled from many sources and aided by the contributions of many friends. No attempt has been made to deal with the law and practice in countries other than our own. The methods that have been described are not necessarily the best that can be devised, but are probably generally effective, and all might need some modification before adoption in any particular office.

It is because of these very proper variations in routine to be found among the offices that we have refrained from printing any forms in these pages. All the forms used by the offices agree in the main but differ in detail; the differences in detail are sometimes due to the routine peculiar to a particular office. Sometimes they are possibly the relics of some officer's whims and fancies. The student is, therefore, warned not to confine himself to the forms used in his own office, but to study others, and he will find no better way of memorizing the essential features of any forms that are used than by drafting out for himself what he considers the ideal form, and trying to cull the "good bits" from, say, half a dozen specimens.

Insurance is the handmaid of commerce. A good maid learns a lot from her mistress, and insurance can learn a good deal from commerce.

Not only must we study the business methods of those we serve in order to be the better able to meet their needs, but at the same time we shall probably be able to learn something worth applying

in our own business. It is hardly possible for most of us to get an insight into the actual working, but we can all read. There are many excellent books on commercial and business organization, and there are the trade journals, all of which provide a field from which there is much to be reaped.

The student will see the wisdom of this ; a thorough preparation of this subject will leave him with a sound groundwork on which to build his work for the Fellowship examination and will be of use to him in further studies and in his work throughout his career.

CHAPTER II

CONSTITUTION OF AN INSURANCE UNDERTAKING

THE constitution of an insurance undertaking is generally understood to mean the nature or form of its construction as well as the process or mode by which it is established.

CLASSIFICATION OF CONSTITUTIONS

Constitutions may be classified on different bases. If regarded from the point of view of ownership they fall into two classes, proprietary and mutual. Proprietary undertakings are usually joint stock companies, the owners of which are shareholders who need not be policyholders. Mutual undertakings are those in which the policyholders are the proprietors. In competition with mutual life offices, most proprietary companies allocate to life policyholders a proportion, say ninety per cent, of the profits of the life account, but the policyholders do not thereby become shareholders, nor does the office become a mutual undertaking.

A different classification results from taking into account legal status. On this basis the many insurance undertakings carrying on business during the past one hundred and fifty years may be classified as follows—

1. INDIVIDUAL PERSONS, E.G. LLOYD'S UNDERWRITERS. The general practice is for several underwriters in association, but not in partnership, to transact their business through a single agent who acts for the group. Every underwriter is legally liable in respect of his engagements up to the full extent of his means.

2. ASSOCIATIONS OF MUTUAL INSURERS. These are associations of persons who simply contract with one another to make contributions to any member who may have cause to claim. Their liability to contribute to the losses of other members may, or may not, be limited. The members do not necessarily undertake any outside liability. Such an association is neither a corporate body nor a partnership.

3. COMMON LAW PARTNERSHIPS. A partnership is the relation

which subsists between persons carrying on a business in common with a view to profit. It is not an entity distinct from the persons composing it, and consequently the personal liability of partners in respect of the partnership debts is unlimited. Under the Limited Partnership Act, 1907, it became possible to limit the liability of a sleeping partner, but not of the other partner or partners.

Before the days of limited companies many insurance undertakings were partnerships or unincorporated companies. They were constituted by deed which regulated the conduct of business. In 1837 the Crown was empowered to grant on application letters patent to such unincorporated companies whereby the liability of members was limited and the undertakings could sue and be sued in the name of a specified officer. The act under which these powers were exercised was not compulsory in its applications and it applied only to undertakings formed before the Joint Stock Companies Act, 1844.

By Sect. 434 of the Companies Act, 1948, no partnership or association consisting of more than twenty persons (or ten in the case of banking) can be formed, if for purposes of gain, unless registered as a company.

4. FRIENDLY SOCIETIES. Some early mutual life offices were registered under the Friendly Societies Acts; but as the Friendly Societies Act, 1850, provided that life policies issued by them should be limited to £100 and annuities to £30 per annum, many of the offices decided to register under the Companies Acts. The £100 limit was recently increased to £500 and the £30 to £104. Registered friendly societies are authorized to carry on industrial assurance business under the Industrial Assurance Acts.

5. TRADE UNIONS. A trade union is any combination, whether temporary or permanent, for regulating the relations between workmen and masters or between workmen and workmen, or between masters and masters, or for imposing restrictive conditions on the conduct of any trade or business.

6. CORPORATE BODIES—

(*a*) incorporated by Royal Charter;

(*b*) incorporated by special Act of Parliament;

(*c*) incorporated by registration under a general Act of Parliament, e.g. Companies Act, 1948.

It will, of course, be appreciated that a corporate body may be either proprietary or mutual.

A corporation is an artificial person created by law, having a perpetual succession, a distinctive name, and a common seal. It may sue and be sued in its own name.

Corporations can be created by Royal Charter or by, or in pursuance of, an Act of Parliament. Corporations created by Royal Charter are not restricted in their contractual capacity. If they exceed their express limitations, their actions will be binding, but their charter becomes liable to forfeiture. Corporations created by, or in pursuance of, a statute cannot enter into contracts which are inconsistent with, or not incidental to, the objects for which they were created. Such contracts are said to be *ultra vires*.

The most common form of corporation is a company incorporated by registration under one of the Companies Acts, the last of which was the Consolidating Act passed in 1948. Under the Companies Act, 1948, the following classes of companies can be registered—

1. Companies limited by shares, where the liability of each member to the company is limited to any uncalled balance of shares held.

2. Companies limited by guarantee, where each member undertakes that, in the event of liquidation, he will contribute an amount not exceeding that which he has guaranteed. Such companies may or may not have a share capital also. Many clubs, mutual insurance societies, and non-trading associations belong to this class.

3. Unlimited companies, where there is no limit whatever to the liability of the members.

Companies limited by shares or guarantee formed for the purpose of promoting useful objects and which prohibit the payment of dividend may obtain permission from the Board of Trade to dispense with the word "limited" in their names, but on all other cases it must be included.

Most companies are limited by shares. They may be either public or private. Public companies must have not less than seven members. Private companies must have not less than two members and not more than fifty, exclusive of employees or ex-employees who acquired their shares whilst they were employees, and still retain them.

The first step in the formation of a company under the Companies Act is for not less than seven persons (two in the case of a private company) to subscribe to the Memorandum of Association. This document defines the objects of the company and the business it may transact. It contains—

1. The name of the company, the last word of which must be limited.

2. The situation of the registered office, that is, the country—England or Scotland.

3. The objects of the company, which are usually stated in one main objects clause and in a number of subsidiary clauses.

4. A statement that the liability of the members is limited.

5. The share capital and the amount and number of shares.

6. The Association Clause which is as follows—

"We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names."

It is usual also to prepare a document known as the Articles of Association setting out the rules to govern the internal management of the company. Model Articles are included in Part I, Table A of the first schedule to the Act for public companies, and in Part II, Table A for private companies. They automatically apply where the company does not draw up its own and exclude the regulations of Table A.

Articles of Association usually contain, *inter alia*, provisions and regulations relative to the following matters—

SHARES. Variation of rights, certificates, lien, calls, transfers, transmission, forfeiture, conversion, alteration of share capital.

MEETINGS. General, ordinary and extraordinary, notice, proceedings, quorum, voting, poll, proxies, corporations acting by representatives.

DIRECTORS. Number, remuneration, qualification, powers and duties, disqualification, rotation, proceedings.

BORROWING POWERS. Limitations, powers of directors, debentures.

SEAL. Safe custody, signing and countersigning.

DIVIDEND AND RESERVE. Director's recommendation, declaration.

ACCOUNTS. Books to be kept, annual accounts and reports.

AUDIT. Appointment and duties.

WINDING-UP. Distribution of assets.

INDEMNITY. Indemnification of officers.

A private company must also include a regulation (*a*) restricting the right to transfer shares, (*b*) limiting the number of members to the maximum allowed by the Act, and (*c*) prohibiting any invitation to the public to subscribe for shares or debentures.

After the Memorandum and Articles of Association have been signed, they are lodged with the Registrar of Companies. Other documents which are sent to him are a statement of nominal capital, a statutory declaration of compliance with the requirements of the Act, and, where required, a list of persons consenting to become directors, the consent of each to act and the contract by each to take up and pay for qualification shares. When the Registrar is satisfied that the necessary preliminaries have been complied with, and the fees and capital duty have been paid, he will issue a certificate of incorporation as evidence that all matters precedent to, and incidental to, registration have been complied with and that the company is duly registered.

COMMENCEMENT OF BUSINESS

A private company may commence business as soon as it has been registered, but a public company having a share capital may not do so until further requirements have been met. If it issues a prospectus inviting the public to subscribe for its shares, the company must deliver to the Registrar of Companies a copy of the prospectus and a statutory declaration by the secretary or one of the directors that—

1. Shares held subject to the payment of the whole amount in cash have been allotted to an amount not less than the minimum subscription as defined by Sect. 47 and the Fourth Schedule of the Act.

2. Not less than fifty thousand pounds of the company's share capital has been paid up if the objects of the company include the carrying on of any class of assurance business to which the Assurance Companies Act, 1909, applies.

3. Every director has paid on each of the shares, for which he is liable to pay in cash, a proportion equal to that payable on application and allotment on shares offered for public subscription.

4. No money is, or may become, liable to be repaid to applicants for any shares or debentures offered for public subscription in the event of any failure to apply for or to obtain permission for the shares or debentures to be dealt in on any stock exchange.

When these requirements have been satisfied a certificate is issued by the Registrar entitling the company to commence business.

In the case of a public company which has not issued a prospectus, a document known as a statement in lieu of prospectus must be delivered to the Registrar, together with the statutory declaration, before a certificate entitling the company to commence business is issued.

CAPITAL

Writing in the year 1776, Adam Smith one of the early British economists, emphasized the importance of "a very large capital" as the basis of sound insurance and, in support of his statement, he mentioned the fact that before the establishment of the first two joint stock companies in London, a list was laid before the Attorney-General of one hundred and fifty private insurers who had failed in the course of a few years.

The public limited liability company is obviously an ideal constitution for raising the necessary capital. Limitation of liability and transferability of shares encourage investment. Persons of moderate means, and with no knowledge of the insurance business, are enabled to participate in financing the undertaking. A certain amount of variety is also possible in the capital structure of the company.

In the case of the old-established companies the form of their capitalization was decided upon many years ago and those who at the present time are responsible for the destinies of the companies can but carry on with the capital outfit which they have inherited.

The main idea of those who were responsible for the foundation of our companies was to place the shares among a body of proprietors of sound financial position, and to divide the capital into large units and leave a considerable part of the capital uncalled. In this way they hoped to create a reserve which would attract prospective policyholders and must have undoubtedly served a useful

purpose before the companies had accumulated their present substantial reserve funds. Whether this uncalled liability of the shareholders serves any useful purpose at the present time is a moot question.

At one time a statement of the uncalled capital used to be frequently found in the advertisement of insurance offices, but of late years this has gone out of fashion. Probably Sect. 12 of the Assurance Companies Act, 1909, which provides: "Where any notice, advertisement or other official publication of an assurance company contains a statement of the amount of the authorized capital of the company, the publication shall also contain a statement of the amount of the capital which has been subscribed, and the amount paid up" did a good deal towards bringing about the abandonment of this once popular feature of advertisements.

Apart from the possible advertising advantage, which at the moment is a problematical one, the existence of a large uncalled capital has three distinct disadvantages—

1. It restricts the free market in the shares.

2. The present-day dividend position makes it difficult to make further calls on the shares.

3. A call on an insurance company's shares would be considered a sign of a weakening financial position and the existence of this uncalled capital blocks the way to further issues of shares.

Though in a great many cases insurance shares are purchased without any regard being had to the uncalled liability on them, it is at the same time undoubtedly true that this fact is very often taken into consideration and that it does deter people from purchasing the shares. The same applies to bank shares and many other securities.

The dividend now paid upon most insurance shares, while only showing a very modest return upon the present market price of the shares, is at a very considerable rate when calculated upon the amount paid up. As this rate of dividend might be expected by the shareholders upon any further calls they were asked to pay, it means that calling up further amounts on the issued capital is not an economic proposition and at the same time the existence of this uncalled capital blocks the way to further issues if the company wants to raise more money.

Even if the dividend problem could be surmounted it is doubtful whether it would necessarily be a wise move to make a call upon the shares of an insurance company though the money was needed for perfectly legitimate reasons as, for instance, to extend the sphere of the company's operations. The action would raise misapprehension in many quarters which might react unfavourably on the company. A company's chief asset is its reputation—a plant of long growth but peculiarly susceptible to the cold winds of idle rumour.

Although the capitalization of a company is, generally speaking, a thing which the present generation has inherited rather than created, there does sometimes arise the necessity of dealing with the capital. The most likely case would be that of an amalgamation, and the point arises as to how the purchase is to be financed—whether by the issue of further shares in the purchasing company, by debentures or other fixed interest-bearing securities, or by cash.

If the purchase is carried out by the issue of further shares then it must be appreciated that any increased rate of dividend will have for the future to be paid on a much bigger capital. This increased capital may prove rather a burden in the years to come and it is not from a practical point of view possible to reduce the capital.

It is often suggested that it is better to pay by the issue of shares, as by this means the goodwill of the shareholders is retained and they are likely to place their insurances with the acquiring company. Experience, however, goes to prove that it is not wise to place too much reliance upon shareholders as a potential source of business. This is probably due to the fact that the majority of shareholders of insurance shares are persons who hold shares in several insurance companies and the fact that they acquire a holding in yet another insurance company is hardly likely to induce them to transfer their insurances.

If the transaction is by means of preference shares which are not redeemable, the company is burdening itself with capital which it may find an embarrassment in the future, although the rate of dividend is fixed.

Redeemable preference shares and debentures have, in addition

to a fixed rate of dividend or interest, the further advantage as a means of payment, that they can be redeemed. Though redemption is an undoubted right of the company and part of the bargain, yet when this right is exercised it is sometimes the cause of some little resentment on the part of holders.

People do not like having their investments disturbed, especially at a time when it is difficult to find another investment equally remunerative, and this would just be the time when it would be profitable for a company to redeem. There is also the position of the people who have bought these securities on the Stock Exchange. The loss of capital which they sustain as a consequence of the redemption is likely to antagonize them.

The last method is to pay cash. Generally, the transaction is of such magnitude that it is impossible to pay cash in full. In such a case part payment in cash is better than all in stock or shares, for to pay cash is undoubtedly the best method of payment in all transactions—great or small.

The argument that might be put forward in favour of debentures as a means of payment that, should they go to a discount, the company could purchase on the Stock Exchange and so cancel their indebtedness at a profit, is hardly worth refuting. At the present day the debentures of an insurance company are hardly likely to fall below par.

ASSURANCE COMPANIES ACTS, 1909–1946

In the second half of the nineteenth century, the failure of some large insurance companies focused attention on the need for legislation to protect the insuring public. Life assurance was dealt with first by the Life Assurance Companies Acts, 1870, 1871, and 1873. Then with the coming into force of the Workmen's Compensation Act, 1906, it was realized that a new important class of business was being developed and the Employers' Liability Insurance Companies Act, 1907, was passed. Two years later the Assurance Companies Act, 1909, had the effect of consolidating previous legislation and of widening its scope. It required deposits to be made with the High Court and publication of accounts. The Act applied to life, fire, accident, i.e. personal accident, employers' liability, and bond investment business.

A departmental committee (known as the Clauson Committee) was appointed in 1924 to inquire and report what amendments were desirable in the Assurance Companies Act, 1909. In an interim report the Committee dealt with a question specially referred to it by the Board of Trade, viz. whether British or foreign insurance companies or both should be required to make a deposit in respect of re-insurance business of any class. The Committee recommended that companies which transacted re-insurance business only, whether fire, accident, or employers' liability, ought not to be treated as doing those classes for the purpose of the 1909 Act, and provision should be made for releasing their deposits. The major recommendations of the Committee were set out in the final report in the form of a draft bill called the Insurance Undertakings Bill. It proposed that marine and miscellaneous business should be constituted as separate classes within the Act. The Government took no steps to place the Bill on the statute book.

By the Road Traffic Act, 1930, motor vehicle business was brought within the scope of the Assurance Companies Act. Power was also provided by the Air Navigation Act, 1936, to bring aircraft insurance business within the Act, but it was never exercised, and the provision is now superseded by the Civil Aviation Act, 1949.

A further Committee, under the chairmanship of the Rt. Hon. Sir Felix Cassel, Bart., K.C., was appointed in 1937 to consider what changes were desirable in the existing law in the light of statutory provisions relating to compulsory insurance. Its report suggested additional safeguards to protect the insuring public from losses which might fall on them through the insolvency of insurance undertakings. No legislative action to implement the report was then taken.

In 1946, with the approval of all concerned in the business of insurance, a short bill was passed through Parliament with the object of including marine, aviation, and transit insurance business as a statutory class and of laying down new requirements to ensure solvency. The immediate purpose was to discourage the formation of ill-considered insurance undertakings immediately after the war. It is to the detailed provisions of the principal Act of 1909 and the Assurance Companies Act, 1946, that attention must now be given.

These Acts do not deal with the day-to-day transactions of

insurance undertakings, but are aimed at securing their solvency. They apply to persons or bodies of persons, whether incorporated or unincorporated, not being registered as friendly societies or trade unions, and whether established within or without Great Britain, who carry on assurance business as defined within Great Britain. A company registered under the Companies Acts is deemed to carry on in Great Britain assurance business which it carries on in any part of the world, and is, therefore, within the Acts.

The following classes are "assurance business" within the meaning of the Acts.

Life assurance business, that is to say the issue of or the undertaking of liability under policies of assurance upon human life or the granting of annuities upon human life.

Fire insurance business, that is to say the issue of or the undertaking of liability under policies of insurance against loss by or incidental to fire.

Accident insurance business, that is to say the issue of or the undertaking of liability under policies of insurance upon the happening of personal accidents whether fatal or not, disease or sickness, or any class of personal accident, disease, or sickness.

Employers' liability insurance business, that is to say the issue or the undertaking of liability under policies insuring employers against liability to pay compensation or damages to workmen in their employment. It is provided, however, by the Employers' Liability Insurance (Modification) Order, 1948, that, in the case of an assurance company which carries on employers' liability insurance business and any other class to which the Acts apply, the employers' liability insurance business need not, in respect of any financial year of the company commencing after the 30th November, 1947, be treated as a class of business to which the Acts apply, and the company shall not, in relation to that business, be bound by the provisions of the Acts. An assurance company carrying on employers' liability insurance business and no other assurance business to which the Acts apply is not exempt from the provisions of the Act, but need not prepare a statement in the form set forth in the Fourth Schedule to the Assurance Companies Act, 1909.

Industrial assurance business, that is to say, the business of effecting assurances upon human life, the premiums in respect of which are received by means of collectors; provided that such business does not include—

(*a*) Assurances, the premiums in respect of which are payable at intervals of two months or more.

(*b*) Assurances effected by a society or company established before 7th June, 1923, which at that date had no assurances outstanding,

the premiums on which were payable at intervals of less than one month, so long as the society or company continues not to effect any such assurances.

(*c*) Assurances effected before 7th June, 1923, premiums in respect of which are payable at intervals of one month or upwards, and which have, up to 7th June, 1923, been treated as part of the business transacted by a branch other than the industrial branch of the society or company.

(*d*) Assurances for £25 or upwards effected after 7th June, 1923, premiums in respect of which are payable at intervals of one month or upwards and which are treated as part of the business transacted by a branch other than the industrial branch of the society or company in cases where the Industrial Assurance Commissioner certifies that the terms and conditions of such assurance are on the whole not less favourable to the assured than those imposed by the Industrial Assurance Companies Act, 1923.

Bond investment business, that is to say the business of issuing bonds or endowment certificates by which the company in return for subscriptions payable at periodical intervals of less than six months contracts to pay the bond-holder a sum at a future date, and not being life assurance business as above defined or sinking fund or capital redemption insurance business.

Motor vehicle insurance business, that is to say the business of effecting contracts of insurance against loss of or damage to or arising out of or in connexion with the use of motor vehicles, including third party risks.

Marine, aviation and transit insurance business, that is to say the business of effecting and carrying out otherwise than incidentally to some other class of assurance business contracts of insurance—

(i) upon vessels or aircraft, or upon the machinery, tackle, furniture or equipment of vessels or aircraft; or

(ii) upon goods, merchandise, or property of any description whatever on board vessels or aircraft; or

(iii) upon freight of or any other interest in or relating to vessels, or aircraft; or

(iv) against damage arising out of or in connection with the use of vessels or aircraft including third party risks; or

(v) against risks incidental to the construction, repair or docking of vessels including third party risks; or

(vi) against transit risks (whether the transit is by sea, inland water, land or air, or partly one and partly another), including risks incidental to the transit insured from the commencement of the transit to the ultimate destination covered by the insurance, but not including risks the insurance of which is motor vehicle insurance business; or

(vii) against any other risks the insurance of which is customarily

undertaken in conjunction with or as incidental to any such business as is referred to in the foregoing provisions of this paragraph.

The 1909 Act aimed at securing the solvency of insurance companies by providing for publicity with regard to the accounts, and by requiring deposits to be made with the High Court in respect of each of the statutory classes of insurance. Publicity was, of course, beneficial, but deposits had the demerit of bearing no relation to the actual liabilities of the insurer. Moreover, since other nations had copied our system of deposits, there was the disadvantage that companies transacting business in many countries had a substantial amount of their funds tied up. Accordingly, although the publicity measures have been retained, the 1946 Act repeals the deposit requirements—except in two cases, viz.: (1) mutual associations intending to carry on long-term business and in respect of which the Board of Trade has by order exempted the association from the obligation of incorporation with a minimum paid-up share capital of not less than £50,000 and (2) collecting societies. With the repeal of the deposit requirements, provisions have now been introduced relating to a minimum paid-up capital and a safe margin of solvency.

"PUBLICITY" PROVISIONS

Every company must keep a separate account in respect of each class of business, and the receipts (except in the case of fire, accident, motor, marine, aviation, and transit business) must be carried to and form a separate fund with an appropriate name.

The investments of each fund need not be kept separate from the investments of any other fund. A fund of any particular class is the absolute security of the policyholders of that class as though it belonged to a company carrying on no other business than assurance business of that class and shall not be liable for any contracts of the company for which it would not be liable had the business of the company been only that of assurance of that class, and shall not be applied direct or indirectly for any purposes other than those of the class of business to which the fund is applicable.

Every company must at the expiration of each financial year prepare—

(*a*) Revenue Accounts in the prescribed form for each class of business carried on. Special considerations apply to employers' liability business (see page 14). Business not within the Act should appear in a general account.

(*b*) A profit and loss account in the prescribed form, except where the company carries on only one class of assurance business.

(*c*) A balance sheet in the form prescribed.

Every company transacting life assurance business shall once in every five years or at such shorter intervals as may be prescribed by its regulations cause investigation to be made into its financial condition including a valuation of its liabilities by an actuary, and shall cause an abstract of the report of such actuary to be made in the forms set out in the schedule. In respect of personal accident business a form is prescribed on which returns of claims must be made annually. These returns are part of those known as the Board of Trade Returns.

Every account, balance sheet or statement required must be printed, and four copies, one of which must be signed by the chairman, two directors, and the chief officer of the company, shall be deposited at the Board of Trade within six months of the close of the period to which the account relates. (The Board of Trade has power to extend this period, and did so on occasions during the war years.)

With these has to be deposited any report on the affairs of the company submitted to the shareholders or policyholders in respect of the financial year to which the accounts relate.

It is provided that an insurance company may send to the Registrar of Companies a copy of these accounts and balance sheets in lieu of the statement in the form of a balance sheet which companies are required to file under Sect. 127 of the Companies Act, 1948.

A printed copy of the last deposited accounts must, on the application of any shareholder or policyholder of the company, be forwarded to him by post.

Where the accounts are not subject to audit in accordance with the provisions of the Companies Act it is provided that the accounts shall be audited annually in such manner as the Board of Trade shall prescribe.

An insurance company, to which the provisions of the Assurance Companies Act, 1909, as to accounts do not apply, is required before commencing business and also on the first Monday in February and the first Tuesday in August in every year to make a statement of capital, liabilities, and assets in the form set out in the Thirteenth Schedule to the Companies Act, 1948, and exhibit a copy at the registered office and all other offices.

Every insurance company not registered under the Companies Act must keep a Shareholders' Address Book and on application of any shareholder or policyholder must furnish him with a copy of such book on payment of the rate of sixpence per 100 words. Such an insurance company must also print copies of its Deed of Settlement and supply a copy to any shareholder or policyholder on payment of one shilling. Under the Companies Act a shareholder is entitled to be supplied with a copy of the list of members or a copy of the Memorandum and Articles of Association on payment of certain fees. The Assurance Companies Act in effect gives the same rights to shareholders in companies not incorporated under the Companies Act, and in addition extends the same rights to policyholders.

When any notice, advertisement, or other official publication of an insurance company contains a statement of the amount of capital of the company it must also contain a statement of the amount of capital which has been subscribed and the amount paid up.

The principal Act lays down the procedure to be followed in the event of amalgamation or transfer of the business or part thereof to another company. This matter has been dealt with elsewhere.

The Act further lays down the procedure to be followed in the case of a winding up, and the method of valuing policies, and gives the Court power to reduce the amount of the contracts instead of making a winding up order.

Finally the Act sets forth the penalties for non-compliance with its requirements or for falsifying statements, etc.

PROVISIONS TO ENSURE SOLVENCY

No company is to carry on insurance business unless it has a paid-up capital of at least £50,000. This does not apply to any

company which was carrying on business before the 29th October, 1945, but such company shall not be an authorized insurer for the purpose of the Civil Aviation Act, 1949, unless it has a paid-up capital of £50,000.

Business is divided into two classifications, viz.—

1. General business, that is assurance business to which the principal Act applies, not being long term business.

2. Long term business, that is life assurance, industrial assurance, and bond investment business.

Every company carrying on general business shall be deemed to be unable to pay its debts (and as such liable to be wound up) if the value of its assets does not exceed the amount of its liabilities by whichever is the greater of the following amounts—

(*a*) £50,000.

(*b*) One-tenth of the general premium income of the company in its last preceding financial year.

An existing company is allowed two years (or any longer period the Board of Trade may grant) in which to reach this standard, unless it withdraws its deposit, when the standard applies from the date of withdrawal.

For the purpose of computing the amount of the liabilities all contingent and prospective liabilities are to be taken into account, but not liabilities in respect of share capital, and the general premium income in any year shall be taken to be the net amount, after deduction of any reinsurance premiums, of the premiums received in that year in respect of all assurance business (including business to which the principal Act does not apply) other than long term business.

The Board of Trade has made regulations that in every balance sheet prepared under Sect. 4 of the principal Act by a company carrying on general business shall be included a certificate in such form and signed by such persons and containing such statement with respect to the assets and liabilities as may be prescribed, and if any company fails to comply with the regulations so made the value of its assets shall in any proceedings for the winding up of the company be deemed, until the contrary is proved, not to exceed the amount of its liabilities by the amount required by the 1946 Act.

Deposits already made may be withdrawn as soon as the Board of Trade is satisfied that, in the case of a company carrying on general business whether with or without long term business, the value of the company's assets exceeds the amount of its liabilities by the amount required; and in the case of a company carrying on long-term business, but not general business, either that it has a paid-up share capital of £50,000 or more, or (i) in the case of a company required to keep a separate fund that the value of the assets of the fund exceeds the amount of the liabilities and that the excess, or where more than one such fund is kept the aggregate excess is not less than £50,000, or (ii) if the company is not required to keep separate funds, that its assets exceed its liabilities by £50,000.

There are provisions for the application of the Acts in the case of Lloyd's and mutual Friendly Societies and Trade Unions, and power is given to the Board of Trade to make regulations that in their application to an assurance company established in a country outside Great Britain, Sects. 2 (minimum share capital) and 3 (margin of solvency) and the second schedule of the 1946 Act shall have effect subject to such adaptations of the references to paid-up share capital and £50,000 as may appear to the Board of Trade to be necessary having regard to the law relating to companies in force in that country or the currency of that country.

The Act also provides that when any assurance company is guaranteed by another company then the guaranteeing company must be one which complies with Sects. 2 and 3 of the Act.

Where the Board of Trade is satisfied that a company carries on business wholly or mainly for the purpose of insuring a limited class of persons having a financial or other interest in common, and that having regard to the limited nature of its business the provisions of Sect. 3 are inappropriate or unduly onerous to the company, the Board may, by order, direct that subject to such conditions as may be specified Sect. 3 shall not apply or shall apply so as to require the value of the assets shall exceed the liabilities by a less amount than specified in that section.

The Board of Trade is also given power where a company carrying on general business of any class, not being a class in respect of which a separate fund has to be maintained, shows that business or

any part therof ought to be treated as if it were not business of that class, but were either general business of some other class not being a class in respect of which a separate fund is required, or business to which the principal Act does not apply, or that business ought to be treated as if it were long-term business, to make an order directing that it shall be so treated.

By Section 5 of the 1946 Act, it is provided that any person or body of persons carrying on in Great Britain assurance business of the relevant class shall be an authorized insurer for motor business. Sect. 43 of the Civil Aviation Act, 1949, contains a similar provision with regard to marine, aviation, and transit insurance business.

Reinsurance business is insurance within the meaning of the Acts, and companies transacting reinsurance business (including companies doing marine reinsurance business only) must furnish returns in the same way as direct writing companies.

The Assurance Companies (Winding Up) Acts, 1933 and 1935, give power to the Board of Trade to present a petition with the leave of the Court for the winding up of an assurance company on the ground that it is unable to pay its debts, and also empower the Board to serve upon an assurance company a notice in writing requiring it to furnish any such information, explanations, accounts, balance sheets, abstracts, and statements, as they consider necessary for the purpose of determining whether the company is insolvent or was insolvent at any date.

If the company does not comply with the requirements of the Board, or the Board, after considering the material furnished, deems it to be expedient, the Board may serve a notice on the company stating that it proposes to appoint one or more inspectors to investigate the affairs of the company and report thereon, and unless the company object within seven days may proceed to make such appointment. If the company objects then the Board may apply to Court for leave to make such appointment. The expenses of the investigation are defrayed by the Board, except where the Court has granted leave to make an appointment and it directs the company to repay the Board. If an order for the winding up of the company is made within twelve months from the date of the first report of the inspector, the expenses are deemed to be expenses incurred in the winding-up.

LLOYD'S UNDERWRITERS

Underwriters at Lloyd's or members of any other association of underwriters approved by the Board of Trade are to comply with the regulations set out in the eighth schedule to the Act of 1946. All premiums received by an underwriter in respect of assurance business to which the principal Act applies must be carried to a trust fund under a trust deed approved by the Board of Trade, the fund for long-term business being kept separate from the fund or funds for general business. The accounts of underwriters must be audited and the auditors' certificate must state whether the value of available assets is stated correctly and whether they are sufficient to meet the liabilities calculated in the case of long-term business by an actuary, and in the case of other liabilities by the auditor.

CHAPTER III

THE OFFICE

THE question of suitable office appointments and equipment is nowadays receiving ever-increasing attention. Its importance is becoming more fully recognized, for its relation to efficiency through both material and psychological channels is becoming better understood. Its influence is almost unconsciously appreciated both by the staff and by the public. The atmosphere of efficiency, which is thereby created, acts as a stimulus to the former and a source of confidence to the latter. A shoddily furnished or poorly equipped office has precisely the opposite effect. Appearances are therefore a matter of serious consideration and it is probably false economy to adopt a cheeseparing policy in this direction. Labour-saving devices stand on a different footing. The only question to decide here is whether the cost of installing and working a machine will be ultimately recouped by the value of the labour saved. But this matter is dealt with fully in another chapter.

FURNITURE

The desirability of having reliable, presentable, and suitable office furniture need hardly be emphasized. And yet the point often receives merely perfunctory consideration. Cheap and showy furniture is not generally the most economical. Apart from its appearance after a period of use, it will require constant expenditure in renovation, renewal, or repair. The convenience and suitability of furniture for immediate needs and its adaptability for possible future requirements need judgment and forethought, and its disposition requires careful planning. Otherwise subsequent rearrangements may prove necessary and thus cause expense as well as temporary disturbance.

With regard to seating accommodation, the question of high or low desks has often been the subject of discussion. Low desks, with chairs, are becoming increasingly favoured in modern offices, except in the case of the counter-desks, which are necessarily high

for the convenience of the public, whose business has to be conducted standing. Although the low desk is obviously cheaper inasmuch as material and labour are less, there is certainly something to be said in favour of the high desk. In the first place it permits of a larger amount of drawer and cupboard accommodation. And in the second place it enables people to stand up for their work if they wish to do so. This is often more convenient when they are working on wide books. But whatever type of desk is adopted, it is important to see that drawers, cupboards, and book-racks are not only suitable and adequate, but also adaptable in the event of any subsequent staff re-arrangements. A lot of expense may afterwards have to be incurred if the accommodation is provided only for immediate purposes without considering possible future needs.

With regard to the rooms of the senior officials, these may be either walled to the ceiling or shut off from the general office by wooden or partially glazed partitions. Which of these may be the more desirable depends on the amount of privacy required and on such matters as lighting, heating, ventilation, and general effect.

ACCESSIBILITY

The ready accessibility of books, records and filing cabinets is another matter of obvious importance. They should, therefore, be so placed that the minimum of time and effort will be expended by those who use them most frequently. As far as possible they should be more or less centrally situated, and the staff-seating should be so arranged territorially that the maximum saving of movement shall be effected.

The type of shelves, cupboards, and drawers should depend on the two qualities of suitability and adaptability. As already indicated, immediate needs must, of course, be carefully considered, but lack of adaptability to other possible uses shows a serious want of foresight, which may subsequently prove an expensive matter to remedy.

Another point worthy of attention is the keeping of books and papers dust-proof. This can most conveniently be done by means of sliding doors fitted to cupboards and shelves, which will keep their contents clean without seriously affecting their ready accessibility.

LIGHTING

Other matters to which insufficient attention is often paid are lighting, heating, and ventilation. Defects in these connections have far-reaching consequences, and may have very deleterious effects on the health and efficiency of the staff.

An insufficiently or improperly lighted office is a fruitful source of impaired eyesight, which is a cause of nerve strain and consequent inferior work. Moreover, a badly lighted or gloomy office has a bad psychological influence, which must not be ignored. If the window-lighting is unavoidably poor and cannot be appreciably improved by reflectors, more particular attention must be paid to the seating arrangements so that the staff shall not sit in their own light. Partitions are a frequent source of light obstruction and should therefore be eliminated wherever possible. But where insufficient daylight is normally obtainable, it is very important that the artificial light should be adequate and of the best possible quality. Constant working under artificial light not infrequently causes headaches and eyestrain, which must inevitably tend to impair the efficiency of the staff. The principal cause of the trouble is the considerable excess of red rays. This can now be corrected to a large extent by the use of specially prepared glass screens, which convert electric light into a close approximation to daylight. The additional cost is inconsiderable and is well repaid by results. Experience has abundantly proved that the benefits to the eyesight are beyond all doubt. Moreover, the consumption of electricity is not increased. The ordinary plain-glass electric desk lamp violates the three essential principles of correct lighting by causing bad colour, local intensity, and contrast. In other words, the electric desk-lamp (1) contains an excess of the pernicious sight-impairing red rays; (2) consists of a point of undiffused light; and (3) creates a pronounced contrast between light and shade every time the eyes are raised from the desk.

In many respects a smaller number of more powerful lamps suspended from the ceiling and fitted with opalescent diffusing bowls gives a more satisfactory light than individual desk-lighting. But it must be remembered, firstly, that diffusion considerably reduces the amount of light that reaches the desks, and, secondly, that the amount of light reflected from the ceiling is almost

negligible, since it varies inversely with the square of the distance. In the case of a high ceiling, therefore, the amount of diffused and reflected light from a 150 watt lamp may only amount to less than two-candle power on the desk. From what has been said, it is clear that illumination by reflection alone is extremely expensive. To meet some of the objections to the ordinary bulb, increasing use is being made of fluorescent lighting.

There is another point that deserves attention, and that is an equal distribution of light. This can be effected satisfactorily only by having the suspended lights arranged at equal distances and in such numbers and of such power that every desk receives sufficient and, if possible, equal light. Unfortunately, it sometimes happens that lighting is sacrificed to architectural considerations or even to artistic effects. Lighting fixtures, in view of their far-reaching consequences, should always be entrusted to lighting experts.

Although not strictly pertinent to the subject of lighting, it is not perhaps altogether out of place to refer to Vita glass, and other makes possessing similar properties. The great defect of ordinary window glass is that it shuts out the ultra-violet vital rays present in daylight. Vita glass, on the other hand, admits an appreciable percentage of these rays. The beneficial effects on health have been definitely proved. This type of glass is being installed in many offices.

VENTILATION

The importance of efficient ventilation can hardly be exaggerated. The ineffectiveness and inconvenience of window and coal-fire ventilation are well known. These methods are now generally superseded in modern offices which are air-conditioned by means of suction pumping, which draws the vitiated atmosphere into horizontal ventilating shafts in the ceiling. Air is first of all drawn from outside—generally from above the roof. It is then passed through a purifying chamber, and when necessary warmed before passing through the ventilating gratings into the office. A continuous renewal of fresh air is, therefore, secured without the dangers and unpleasantness arising from draughts or changes of temperature, which are generally inevitable with

ordinary window ventilation. And so long as the pumping process continues, there is no need to have either doors or windows open. In fact, these would actually rather impair the ventilation process than otherwise.

It is no doubt unnecessary to emphasize the beneficial effects of proper ventilation on the staff. Fresh air is not only invigorating, but it reduces to a minimum the risks of spreading infection. Efficiency is, therefore, increased, and absences on account of illness are minimized.

Another point may be mentioned in this connexion, namely, the relative humidity of the atmosphere. This can be determined by comparing the readings of the ordinary dry-bulb thermometer with those of the wet-bulb variety. If the relative humidity is high and the air is warm and stagnant, the cooling power of the atmosphere is greatly reduced, and the working condition of the office may consequently be intolerable. Air-movement, especially in warm weather, is therefore essential, for stagnation of air is even more deleterious than a vitiated atmosphere.

HEATING

The need for satisfactory heating arrangements in offices is now fully recognized. And the maintenance of an equable temperature between 58° and 63° is regarded as one of the features of a healthy, up-to-date office. The open grate fire is now rarely seen except in old-fashioned offices or in private rooms where the general heating does not penetrate or where ventilation may be otherwise difficult. But even in the private room the gas fire or the portable electric stove is found more satisfactory, since the temperature can thereby be regulated more easily. For general office heating, however, the modern method consists of an air-conditioning plant which circulates air warmed to the appropriate temperature. Another method is the circulation of hot water through pipes and radiators, the latter being arranged at intervals round the principal rooms. The temperature may be regulated by turning the heat on or off in any one or more of the radiators as occasion may require. Compared with coal, gas, or electric heating, there is no doubt that, in the case of a large building, the hot-water radiator system is far more effective and economical.

COLOUR

Possibly less consideration is given to the general "colour scheme" of an office than to any other item of furnishing or equipment. And yet it is by no means unimportant. Strong contrasts—more particularly bad contrasts—are distracting to the attention and deleterious to concentration. They jar, too—often painfully. The old-fashioned view that an office is for work and not for comfort or aesthetic delight may be fundamentally, or at least theoretically, correct. But people who are endowed, or afflicted, with an eye for right colour schemes are continually irritated by wrong ones, and their work is thereby affected adversely. And even people who have no conscious tastes in this connexion are also probably affected subconsciously.

To summarize, then, the essentials of a well-furnished office, the following points must be kept in mind—

1. Good furniture, comfortable seating accommodation, convenient desks, consideration of individual needs and tastes as far as possible, and avoidance of makeshifts.
2. Ample drawer accommodation, shelf space, etc., and general accessibility of books, files, etc.
3. Sufficient light, natural and artificial, and the latter of right quality.
4. Good ventilation and equable heating.
5. Subdued, though not wholly unrelieved, colour scheme for walls, floors, and furniture.
6. Avoidance of all distracting elements, such as glare, noise, etc.

EQUIPMENT

There are many items of office equipment which may be considered of too trivial a nature to deserve mention, although there is none about which something might not be written if space allowed. For among each of them there is generally a good and a bad, a suitable and an unsuitable, an economical and an uneconomical. Experience, time, and observation, will alone demonstrate the best for the required purpose. And if the best is not secured, it may make just the difference between efficiency and inefficiency in its practical use.

Labour-saving machines and devices deserve a separate chapter. Telephones, lifts, and stationery are briefly referred to in subsequent sections. The present section will be confined to two or three general items of equipment such as files, cabinets, loose-leaf books, etc.

FILES

Filing systems must naturally be adapted to the character of the documents to be filed and the requirements of ready reference. The varieties of files are almost innumerable and it is therefore merely a question of investigation and trial in order to determine the most suitable type of file for any specific purpose. There are five main considerations to be kept in mind when instituting a filing system: suitability, simplicity, easy manipulation, ready reference, and convenient storage. If due weight is given to all these points in the first place, much time, labour and trouble may be saved later on, when the system is in operation. A few of the more common varieties of files may be mentioned here and their uses briefly described. This will obviate descriptions of them later on, when dealing with office systems and routine.

It should be noted that flat-filing is now generally considered much more convenient than the older method of folding, docketing, and pigeon-holing, which has the obvious defects of increasing bulk for storage, quite apart from the trouble and inconvenience occasioned by folding and unfolding. And it may be added that vertical filing on shelves or in cabinets is found by experience to be generally more convenient for purposes of reference than the horizontal method.

Simple Folder. This consists of a single fold of stout manila paper or thin cardboard, sometimes with a bend-over edge to keep the contents in place and as far as possible dust-proof. It may be obtained in a variety of sizes. These folders are generally used in connexion with the vertical letter-filing system, which is described in another chapter. A separate folder is used for each subdivision of the alphabet. This type of file is used for many office purposes, particularly where a batch of documents or correspondence has to be kept together temporarily for some purpose before ultimate filing.

Spring-backed Folder. This kind of file is similar to the foregoing except that it is fitted with a spring-grip binding which holds the contents firmly in their place. Its use is very general and its advantages obvious. The covers may consist of stout manila paper, cardboard, or stiff boards.

Box File. There are several types and sizes of these, made to suit most business requirements. They are generally made of stout cardboard and are often fitted with a flap type of spring to hold the contents in place as they are inserted. Some box files have an arrangement somewhat similar in principle to the loose-leaf book plan. It is necessary to punch holes in the left-hand margin of the documents so that they may be held in position by hollow metal uprights into which a connecting movable grip is fitted. Again, in addition to one or both of the above-mentioned devices, another kind is fitted with a set of thin cardboard folders for the alphabetical division of the contents. One of the principal advantages of the box file is convenience in upright storing on shelves.

Hanging File. Where any large documents, such as newspapers, have to be filed, the hanging file is often found convenient. There may be either a strong spring-grip or a puncturing holder, which hangs on a rod and can be readily detached when reference to the papers is necessary.

Filing Cabinets. With regard to the storage of files, steel shelves or cabinets are generally the most convenient. Vertical storage is better than horizontal, as extraction of a file is so much simpler and quicker. Cabinets, of course, are of all shapes, sizes, capacities, and materials, according to particular needs. But one of the most modern types is made of steel and is also rendered fireproof. It might be mentioned that for convenience of reference, it is undesirable for the lowest drawer of a cabinet to be less than a foot from the ground or for the highest to be more than 5 ft. But if ground space is an important consideration, ready accessibility may have to be sacrificed. Two further points should be noted. Suitable slots for inserting labels on the drawers must not be overlooked, and the need for keeping the drawers locked in the case of certain important documents must also be considered when the selection of a cabinet is being made.

LOOSE-LEAF BOOKS

The economy and convenience derived from the adoption of the loose-leaf system are becoming more and more generally recognized. Although originally devised for ledgers, the system is now widely adopted for other purposes. So far as ledgers are concerned, the ordinary type of bound book has three disadvantages: (1) the inconvenience caused by having to transfer accounts to other parts of the ledger when the original space allotted has been filled up; (2) the almost inevitable waste of pages when it is no longer worth while to transfer accounts; and (3) the cost of the binding of each new ledger. The loose-leaf system obviates all these difficulties and defects. A new sheet can always be inserted as and when required; there are no pages wasted except when an account is finally closed before the current sheet is completed; and the binding of a loose-leaf book will last almost indefinitely, and after any convenient interval all sheets prior to a certain date can be removed and filed away in cheap cardboard or brown paper covers.

There are many types of loose-leaf books designed to meet practically every requirement. For instance, there is a special binding for holding smaller-size sheets in different positions so that the lower edge of one sheet projects a fraction of an inch below the preceding one. The name of the account can be written on this projecting edge, thus providing a convenient open index and thereby greatly facilitating reference.

Another use for loose-leaf books arises where one department requires to extract particulars from a book prepared by another department, e.g. new business and renewal departments. Each department has a separate binding cover, and as soon as a sheet has been filled up by the first it can be withdrawn and transferred to the cover of the second. The latter will thus be enabled to work on the particulars supplied without holding up the work of the former. Great care, however, must be taken in the process of transferring sheets; and, as in the use of the loose-leaf system generally, it is important that the bindings should be locked and no withdrawals made except by responsible persons. The danger of losing a sheet is, of course, the one main objection to the loose-leaf system. But with proper precautions the advantages of the

plan considerably outweigh the relatively insignificant possibility of sheets being lost or mislaid.

CARDS

Few business systems have received wider attention or undergone greater development than the card system. Its applications to business purposes are almost innumerable. But perhaps its most valuable adaptation is the card index of names and addresses of policyholders, shareholders, etc. It is, in fact, indispensable. For adaptability, elasticity, convenience, and ready reference, it is incomparably superior to the book index. But a card index must be carefully, neatly, and accurately kept, and the utmost precautions must be taken to prevent cards being lost or misplaced; otherwise serious inconvenience will obviously be caused. An adequate number of guide-cards for alphabetical subdivisions is also necessary. In the case of a large index, some thousands of subdivisions may be desirable. A guide-card for every forty or fifty index cards is considered a convenient average for rapid reference. There are several systems for subdividing the alphabet, depending on the size and nature of the particular index. For instance, the guide-cards may show the first two, three, or four letters of the name. Again, there may be two or more positions for the guide-tabs according to whether they represent main or minor subdivisions.

With regard to card systems for other than name-index purposes, it is perhaps sufficient to say that there are few office methods where cards cannot be used with great advantage. But, as in the case of loose-leaf books, the main objection is the danger of losing or misplacing a card, a danger that does not arise in the case of an ordinary bound book. It is, therefore, important to institute effective safeguards when cards are extracted, so that they may not only be ultimately replaced, but replaced in their proper order.

STATIONERY

In a large company stationery is often a very heavy item of expense. A competent stationery clerk, who has studied the business thoroughly, may be able to save the company very considerable sums. For instance, the head of a department may draft

a new form without realizing that its proposed size may necessitate cutting paper to waste and thus cause unnecessary expense. Again, he may suggest, without really sufficient warrant, the printing of a few words in red, which would double the labour of printing and thereby add considerably to the cost of the form. The question of sizes and qualities of paper for forms, letters, envelopes, books and bindings, and so on, is a matter for expert advice and consultation with a reliable stationer, who should be made to realize that the contract for stationery is a business transaction in which he is expected to give his honest opinions on questions of real economy. If a stationer's advice can be invariably relied on, so that reasonably good quality may be secured at reasonable cost, he will be an invaluable man to deal with.

It will be seen, therefore, that responsibility for stationery and cognate equipment should always be entrusted to an experienced member of the staff. Records of all orders showing dates, prices, quantities, etc., should be very carefully kept, preferably by means of a card system. And as the supply of any particular form runs low, the fact must be at once reported to the man in charge. For this reason, supervision, distribution, and ordering of supplies should be in the same hands. Moreover, a systematically arranged store room is obviously essential so that supplies can be carefully watched. A guard book, containing a copy of every form, is desirable for purposes of reference in addition to a short description of each form in the card index. It is a convenient plan to give every form a number, which should be printed in the bottom left-hand corner. The date and quantity of the last order need not appear, as this information will be contained on the appropriate card in the index. The cards should, of course, be arranged in numerical order according to the form to which each of them refers.

It frequently happens that an alteration in a form may be required as soon as the existing stock is exhausted. There should be a proper system for ensuring that the necessary alteration shall be made when a reprint is required. A pencil note may be made on the appropriate card, but perhaps a better plan would be to have a book or separate index for this purpose. Or even the guard book might be used. But if a book is adopted, a page should be set apart for each form in numerical order. Before ordering a fresh supply

of any form, it would be understood that reference must always be made to the book or card index, as the case may be. In view of the possibility of immediate alterations in forms, it is important to consider carefully the question of quantities when ordering fresh supplies. It is sometimes cheaper to scrap a thousand or so forms occasionally, rather than repeat relatively small orders perhaps every few months, quite apart from the additional trouble involved and the increased risk of running out of forms, which may cause serious inconvenience. Small orders are proportionately more costly than large ones.

There are, of course, many other matters coming under the heading of stationery that might be mentioned. For instance, the question may arise whether branches should be supplied with printed forms from head office or whether they can be obtained more economically locally.

Further economy may also be effected by the standardization of forms so that as many as possible may be usable by all departments. There is much to be said for entrusting to a small committee of departmental representatives the task of considering all forms that it is proposed to print.

And, finally, there is the question of the duplicator and office printing machine. Although these are discussed more fully in the chapter on machines, it may be remarked here that considerable sums can be saved by their installation. A good duplicator is a necessity in every office and its cost is by no means heavy. But a printing equipment is another matter. It is, however, generally found to be a remunerative investment where a company's stationery bill runs into several thousands a year.

TELEPHONE

The management of a telephone switchboard is often regarded as a purely mechanical or routine piece of work, requiring but little skill and no intelligence. The necessary knowledge of the mechanism, and facility in its manipulation, can, of course, be acquired in a few hours. But a considerable amount of experience, tact, and discretion is necessary in the operator, on whose shoulders a good deal of responsibility often rests.

An automatic inter-departmental telephone is now frequently

installed in offices, and proves a valuable time-saver. There are several types of internal telephones for intercommunication between departments.

LIFTS

In offices where the departments are located on different floors a lift is an important item of equipment. If it is solely inter-departmental, the automatic type is the more economical and equally convenient. Where the company owns the whole building and a handworked lift is provided for the general use of tenants, it is of course a matter for consideration whether the cost of installing a separate automatic lift will be justified. It is mainly a question as to whether the general lift is inadequate and consequently the cause of wasting people's time.

THE COUNTER

As the first personal contact with a company occurs at its counter, it is a matter of vital importance that everything in connexion with it should be arranged with a view to creating the best possible impression. The public expect to find at the counter three principal attributes—convenience, promptness, and efficiency. The counter should, therefore, be arranged and manned so as to meet these expectations.

The height, size, and character of a counter should first of all receive special consideration with a view to providing the most convenient means of dealing with people standing on the other side of it. Height is particularly important. The inconvenience of a counter that is too high, or sometimes even too low, hardly needs mention. Perhaps the most generally convenient height is about 3 ft. 6 in. Width must also be considered. This may depend to some extent, however, on the desk requirements of the counter-clerks. But it is obviously inconvenient to converse across a wide counter, whereas a too narrow one allows insufficient room for any books or papers that may be necessary in connexion with the business in hand.

Where there are cashiers at the counter, a brass grille may be desirable. In any case the general effect is good, though it may perhaps act as a kind of barrier to convenient conversation. It is, therefore, well to reserve an ungrilled portion of the counter for

ordinary interviewing. Some companies much prefer to set aside a special room for this purpose as near the main entrance as possible. This room should be clearly labelled "Inquiries" or "Inquiry Room"; and there should be indicators, if necessary, to point its whereabouts. The room should be comfortably furnished and carpeted, and effectively lighted. There should be one or two tables, with a seat for an inquiry clerk at each; and on the opposite side of each table an arm-chair should be placed, so that any business to be transacted can be carried through in comfort and practically in private. There is obviously every reason why people should not be compelled to discuss their business across a public counter amid the noise and publicity of the general office; on the other hand, an atmosphere of privacy is always appreciated even for the commonest business transactions. And so the "Inquiry Room" has been found to work well in practice.

But the effect of an inquiry room may be entirely spoilt through being inefficiently manned. Slackness, *gaucherie*, off-handedness, or ineptitude in attending to inquiries may seriously prejudice a company's reputation. Immediate and courteous attention are primary essentials in good counter work. To ignore anyone who comes in, even for a few seconds, is a species of insult, and is unfortunately noticed by the public more quickly than it is realized by the staff. But promptness is not merely confined to immediate attention. Competent attention is also necessary. There are few things more irritating than to be referred from one person to another and to be thereby compelled to repeat one's business to two or three different people in succession. The counter clerk must, therefore, be a thoroughly competent individual who is capable of answering most general inquiries himself and, if not, he must be able to place the inquirer in immediate touch with the person who knows the matter from A to Z. Moreover, the counter clerk must not only be intelligent and well versed in office practice generally, but he should also be well educated and a man of good address, convincing manner, sound experience, wide sympathies, and abounding tact, for he has to deal with all sorts and conditions of men. A really efficient counter clerk is therefore clearly hard to find; but when found he is worth keeping. Raw juniors obviously have no place at the counter. Most of them require years of experience and training.

(Office classes for this purpose are often found worth while.) The work is always interesting and frequently involves no little responsibility, which may increase as greater experience is gained.

By no means the least qualification for the counter clerk is a clear appreciation of the meaning of and need for courtesy. Many are apt to confuse obsequiousness or servility with courtesy, and to substitute the former for the latter, with highly unsatisfactory results. After all, the counter clerk is the immediate representative of the company. There is no reason, therefore, to be apologetic in attitude, and certainly not to be servile. Such attitudes tend to shake confidence and often give an impression of insincerity, which is not conducive to sound mutual understanding. Moreover, it invites brow-beating and bargaining, for it is so frequently mistaken for weakness. There are, of course, occasions when a strong and definite attitude must be adopted. But even when this is found necessary, it need not be accompanied by any discourtesy. Generally speaking, however, tact and courtesy will win where obsequiousness on the one hand or discourtesy on the other will almost invariably fail.

In this connexion arises the question of the accessibility of senior officials. Many people insist on dealing with principals only and resent communicating their business even to capable juniors. A good deal of discrimination and tact is therefore necessary in dealing with such people. On the one hand, the time of senior officials must be safeguarded against interviews on trivial or routine matters of business which can be conducted with equal—possibly greater—efficiency and expedition by someone else who is more thoroughly conversant with points of detail. But, on the other hand, there are occasions when it may be sounder policy for a more responsible person to grant an interview. Otherwise the latter may be regarded as adopting an attitude of inaccessibility or sacrosanctity, which may be taken as a personal slight.

There is a further point for the counter clerk to remember. When dealing with the public it is necessary to be perfectly clear in his mind that there is a great difference between not being able to give a man what he asks for because such an insurance as he wants would not be a legal contract and because it is against the office practice. How often does one hear a client being told that such-and-such a thing *cannot* be done when the true position is that

the office does not do it that way! The client simply goes to another office and gets exactly what he wants. Ignorance and incompetence at the counter are the best ways of losing business.

A word or two may be said about the occupation of the counter clerk when not engaged in attending to the public. Work requiring steady concentration, such as adding, calculating, dictating letters, and so on, is obviously out of the question. But he must not be idle. Some fairly straightforward routine job—and there are always plenty of them to do—would therefore best meet the requirements of the case.

WAITING ROOM

Where there is no inquiry room on the lines indicated in the previous section, and generally even where there is one, it is necessary to provide public seats or a suitable waiting room for people who call for interviews and have to wait while their arrival is being announced. Whatever accommodation is provided, however, it should be as presentable and as comfortable as possible. In the case of a waiting room, it may often be convenient to use it for interviews. It should, therefore, be carpeted and well furnished with chairs and a table, on which should be placed pens and ink, and perhaps a rack containing a few prospectuses and other forms, though not to excess. No advertisements of the company should appear on the walls. The over-obtrusion of its virtues or importance is out of place here ; it is neither necessary nor in good taste.

OFFICE LIBRARY

The advantage of an adequate library of business reference books hardly needs emphasizing. A few general remarks on the subject, however, may not be considered out of place.

Apart from the technical works necessary for special reference in connexion with insurance business, it is desirable that the library should contain books of general commercial interest, such as a business encyclopaedia, standard works on commercial and company law, finance, and so forth. Furthermore, in order to encourage members of the staff to increase their efficiency and add to their qualifications, it is a sound plan to include educational text-books such as those recommended for study in connexion with

the examinations of the Institute and Faculty of Actuaries, the Chartered Insurance Institute, the Chartered Institute of Secretaries, Commercial and Economic Degrees, etc. Such works should be made available for borrowing by the staff, provided an effective lending system is instituted. Duplicate copies may often be justified.

Insurance journals and certain business periodicals might also be brought into the library scheme with advantage.

With regard to the management of the library, it is clearly desirable that it should be entrusted to one individual. His duties should consist of cataloguing all books on a card index and of keeping another card index for recording the lending and returning of books. It is, therefore, necessary to keep books under lock and key, except those in general office use, such as books of tables, logarithms, etc. A general " subject index " is also worth preparing, more especially if any of the books deal with a variety of subjects. For when it is necessary to look up a particular question, it is very convenient to be able to see at a glance all the available authorities on the subject. A further analysis of details in each subject is also sometimes worth while.

CHAPTER IV

OFFICE SYSTEMS

ONE of the principal objects of sound organization is to evolve practical systems that will perfectly meet the requirements of the business. In view of diversities of practice and varieties of needs, it is not possible—nor perhaps desirable—to attempt exhaustive explanations of detail. A general outline of the main principles, however, is first of all necessary. And then some of the systems more or less common to all classes of business will be briefly discussed; their application to particular circumstances will no doubt become apparent. Moreover, details are more fully dealt with in the chapters on office routine.

THE MAIN PRINCIPLES

The underlying principle of every system is to carry out efficient and accurate work with a maximum economy of time, effort, and material. The subject may be considered under three main headings: Simplicity, Safety, and Adaptability.

1. **Simplicity.** It is clearly desirable to aim at making systems as simple as possible, so that they may be readily understood and easily operated. But it does not always follow that the simplest system is the best, for it may not be safe or sufficiently adaptable to meet changing needs or incidental contingencies. A system, though simple and easy-working in theory, may be so unsuitable for exceptional cases that it may lead to serious errors or omissions. While ever aiming at simplicity, therefore, the hall-mark of a good system is that it is practically automatic and fool-proof. Of course, over-elaboration is a defect and should be avoided, if possible. But as safety is even more important than simplicity, it is usually desirable to err, if at all, on the side of safety. Due weight, however, must be given to the question of the possible consequences of error considered in relation to economy of time, labour, and expense. Where the risks and consequences of error are comparatively trivial, there may sometimes be reason to question whether the over-elaboration of safeguards is justified.

2. Safety. Although simplicity is a great desideratum, in some classes of work the most essential attribute is safety. This is true of transactions involving the handling of cash. All possible contingencies must be carefully provided for and effective checks and safeguards instituted in every phase and at every stage of the various processes. Wherever checking is considered necessary it should be done systematically, item by item, and stage by stage. It is important, moreover, that the checker's initials should always be shown. In some classes of work initials to each item may be deemed unnecessary and possibly impracticable in the case of a long, simple series of items. In such circumstances it should be placed at the foot of each page or at the end of a definite stage in the process. But in many cases the initialing of individual items is desirable, and where this is so, a column should be provided for the purpose in the case of a sheet or book, or a definite spot should be allotted in the case of a card, statement or form. In view of the importance of the checker's duties, it is essential that his responsibility for the work should be personally identified by his initials. Efficient supervision of work is also an important factor in maintaining safety in the operation of systems. It should be seen that the various processes are carried out in a definite order and that, where the accuracy of one stage depends on the accuracy of the preceding one, the latter should be checked before the former is commenced. Many mistakes are caused by the reversing of the order of processes. Another matter that often needs constant supervision is the neatness and tidiness of the work. A perfectly safe system may be rendered wholly ineffective in practice by bad figures, illegible writing, or slipshod work.

3. Adaptability. A system may be both simple and safe, so far as it goes, but it may not be sufficiently comprehensive or adaptable. For in practice particular circumstances may arise which the system may not effectively cover and which consequently may have to be treated specially as exceptions; or a separate system may have to be instituted to provide for them. The question will thereupon arise whether it is better to have two or more separate simple systems or processes rather than one of a more elaborate nature. Generally speaking, one comprehensive system is preferable, provided that it is not too complex for practical working. In devising a system, therefore, while aiming at making it simple,

safe, and self-contained, it is also necessary to see that it is sufficiently elastic and adaptable, so that it will be capable of convenient modification to meet changing needs and various types of exceptions. But it must always be kept in mind that the safety of a system may be impaired if its comprehensiveness is stretched beyond a certain limit. It is obviously a short-sighted policy, therefore, to institute an inflexible system that may have to be abandoned and whose machinery may have to be scrapped because it cannot be adapted to meet some slight change of circumstances. With a reasonable measure of care and foresight, the whole machinery of a system—books, cards, forms, and so forth—may be so designed that anything but a most radical change of practice could be given effect to merely by means of adaptations and modifications of the existing methods. But where it is really found desirable to abandon a system or method on account of its ineffectiveness in meeting existing or prospective conditions, there should never be any hesitation in doing so, however wedded to it the staff or heads of departments may be. If it is no longer adaptable to changed or changing conditions, or if the necessary modifications should result in over-elaboration or complexity which is likely to increase risks of error, it is better to scrap it outright and to plan fresh methods to meet the new needs. In the long run such a course is usually simpler, safer, and cheaper.

To summarize, then, the tests of a good system are that it is—

1. Easily understood and conveniently operated.
2. Provided where necessary with effective checks and safeguards.
3. Designed to meet all present contingencies and capable of ready adaptation to meet new ones.

CHECKING

A few remarks may be made at this stage in connexion with methods of checking. In the first place, it is a cardinal rule that checking should be entrusted only to competent people who thoroughly understand the work. Calling back may be done by juniors, but the actual verification of items must be done by the more responsible members of the staff. Constant attention is required; perfunctory checking is not only useless but dishonest. Certain types of work, such as calculations, are better done in-

dependently in duplicate, and the results can then be subsequently compared. In checking additions, the original total should be covered and the checker's figures put down on a separate slip of paper. Where additions are performed by machinery, the work should be done in duplicate and the totals compared ; an alternative method is to call back the figures typed by the adding machine with the original items. With regard to general systems of checking, the triangular check should be employed where possible in view of its time-saving quality. That is to say, where particulars are extracted from some fundamental source for a certain purpose and some or all of those particulars are extracted from the same source for another purpose, a comparison of the results will provide a reliable check on both, and thus save the separate checking of the results with the original from which they were both independently extracted. Another important rule in connexion with checking is that the checker must never be the same person who did the original work. " Going over it again " is not good enough. Checking demands an entirely fresh eye. Nor is it desirable that the checker should be looking over the shoulder of the individual who is doing the work and checking it as he goes along. A separate and independent process is the only really safe method. Moreover, there are many cases, more particularly in the checking of quotations, where it is desirable that an experienced eye should be cast over the final result after the routine checking has been completed. This " intelligent inspection " will sometimes reveal glaring errors, which might otherwise be overlooked by perfunctory checkers.

MISTAKES

However perfect a system may be and however accurate its operators, mistakes are almost inevitable where the human element exists. Experience has shown that even the best machines, whether human or otherwise, break down occasionally. But while admitting that mistakes are inevitable, it must be agreed that, with competent workers and effective systems of checking and supervision, the number may be rendered practically negligible.

In the first place, in order to get a clearer perception of the difficulties of the problem, a certain amount of analysis is necessary. Mistakes may be due to a number of factors or causes, e.g. lack of

(1) knowledge, (2) method, (3) accuracy, (4) observation, (5) intelligence, (6) conscience. The factors must be given their proper perspective, and a mistake must not be so magnified that its cause comes to be overlooked. Correction may be troublesome, but the lessons learned from a careful consideration of the cause may be exceedingly valuable.

The three principal factors that must be considered in connexion with mistakes are—

1. The competence of the individual.
2. The adequacy of the checks employed.
3. The soundness of the system.

The prevention or minimization of mistakes can be effected only by considering them systematically in the light of these three factors. The occurrence of every mistake should, therefore, be the occasion for investigating the cause: (1) Is the individual fit to continue the particular work? (2) Is the supervising or checking of the work conducted on proper lines and entrusted to competent people? (3) Is the mistake due to a loose or defective system? The answers to these questions will determine the course of action to be pursued.

1. The Individual. The competence of the individual is the first consideration. It is sometimes contended that as beginners are naturally more liable to fall into error than experienced workers, most of the mistakes made by them are excusable. But there is no justification for this contention. Although the individual may be excused, the mistake is not necessarily excusable. The very fact that the work has been done by a beginner is the strongest possible reason that it should be closely supervised and carefully checked. And even if it is considered that such work need not normally be supervised or checked, it is obviously essential that it should be here, at least until the novice has become more or less competent. For it is conclusive evidence of weak management and poor organization if the appointment of every new junior is regarded inevitably as the precursor of a series of mistakes. All errors, especially those that may lead to serious consequences, whether internal or external, should be rendered impossible in the case of a beginner.

But where a mistake has been made by a more experienced worker, other questions may arise. If it is a more or less isolated

case, due perhaps to some exceptional circumstances, it may possibly be excusable. But it must be ascertained whether it was due to a flaw in the system or to lack of intelligence on the part of the individual. Any tendency to become perfunctory must be curbed. And attempts to fit or force particular cases into a routine process, instead of recognizing them as matters for exceptional treatment, can only be regarded as evidence of bad training or natural incompetence. But where mistakes are made persistently by an individual, it is generally worth while to investigate the cause. It may bring to light many important facts. To attribute indiscriminately all mistakes to the stupidity or carelessness of the worker is an attitude of mind as lazy as it is superficial. And to administer reproofs to all alike and with the same formula of invective is merely a confession of ignorance and unresourcefulness. The causes that lead to the breakdown of the human machine are numerous. The most effective method of prevention or cure can, therefore, only be determined by ascertaining the cause of the breakdown. The origin of every mistake is a temporary failure of proper co-ordination in the mental processes of the individual. Mistakes are not made deliberately ; if they were, they would not be mistakes, they would be fraud or falsification. Ruling out fraud, therefore, it is desirable to ascertain what has probably been the cause of the normal mental process breaking down. Until then it is impossible to decide on the method of correction, reproof or advice that should be administered. Perhaps the most common personal causes, apart from natural incompetence, are (*a*) illness ; (*b*) anxiety ; (*c*) lack of interest ; (*d*) slackness ; (*e*) weak discipline or supervision ; (*f*) insufficient or inefficient training ; (*g*) high-pressure working ; (*h*) staleness due to overwork ; (*i*) bad working conditions ; (*j*) fear of the consequences of a mistake. In view of the great diversity of cause, it is obviously stupid to adopt the same form of correction in all cases. Discrimination is clearly necessary if effective results are expected.

2. Checking. It is sometimes contended that if work is carefully done by competent people, checking is really unnecessary, and much time and labour will thereby be saved. This is theoretically true, but it is not always sound in practice. There are, of course, certain types of work in every class of business where a mistake

may only cause trivial internal inconvenience and may be remedied without much loss of time or labour. In such cases it may be open to doubt whether checking is justified. But this, of course, must be a matter for the management to decide in the light of the particular circumstances of each case. It is obvious that checking is desirable and worth while where the consequences of a mistake would reflect discredit on the company in the eyes of its members or the public. Once it is decided that work should be checked, the main point to be borne in mind is that, whereas a mistake made by the person who actually did the work may to some extent be condoned, the passing of the mistake by the checker is wholly unpardonable. It is the checker's primary duty to discover and correct mistakes, and therefore any negligence in this connexion is an indication of dishonest work. The implication, moreover, is serious. The same mistake has been made by two people, and therefore unless the circumstances were very exceptional, the passing of the mistake by the checker shows that his work has been done perfunctorily and without intelligence; and these are inexcusable faults in one on whom responsibility has been reposed. An incompetent checker is therefore deserving of the most serious reprimand; and if his negligence is repeated he may have to be superseded and to suffer the consequences when questions of promotion or increases of salary are considered.

3. System. The most important type of mistake is the one whose commission brings to light some defect in system or organization. Sometimes a mistake is caused through some exceptional concatenation of circumstances, which may be unlikely to recur. But even so, a careful review of the system may reveal possible improvements, which may involve very little additional work and at the same time not only prevent the recurrence of that particular type of mistake but also tighten up the system generally. But the introduction of a new system, which may not have been sufficiently worked out in detail, is a more frequent cause of mistakes during its experimental stage. In such cases, a mistake, though always regrettable and sometimes inexcusable, may be the occasion for instituting valuable improvements, either in simpler procedure or in the direction of greater fool-proofness. It is clear, therefore, that mistakes should never be concealed; they should

always be brought to the notice of responsible officials so that they may not only be fully cognizant of any defects in office machinery or staff capacity, but also have the opportunity of suggesting remedies or improvements which, in the light of their experience, they may consider desirable for sound organization and management. And it might perhaps be added that where mistakes of this type occur, blame often attaches less to the individual than to the management, who are primarily responsible for the institution of systems and their satisfactory operation. It may, however, be fairly contended that the improvement or safeguard should have been instituted before mistakes occurred as a consequence of the defect. It is therefore incumbent upon officials, heads of departments, and others in charge of sections of the work to keep constant watch on all methods and systems with a view to assuring themselves that there are neither flaws in principle nor defects in practical working; in short, that the maximum efficiency and economy of time and labour are being secured.

Correction and Prevention. The question of dealing with mistakes after their occurrence is one that is frequently not considered in its right perspective, nor is it always properly treated with a view to prevention or cure. At the time of its discovery, the mistake fills the foreground as the one outstanding disaster. Its correction and the attachment of blame appear for the moment to be the only considerations. They are, however, relatively unimportant in comparison with the experience that may be gained and with the investigation of methods for future prevention. Annoyance at the occurrence of the mistake and its consequences may be natural and pardonable. But it must be kept in mind that personal attacks on the offender, even if deserved, will neither correct the mistake nor prevent its recurrence. On the contrary, the primitive and rather stupid practice of inveighing with threats or abuse will merely produce fear and loss of confidence, which are among the most fruitful causes of mistakes in future. Treatment of symptoms instead of causes is both crude and unintelligent. And to imagine that personal invective will effect either prevention or cure indicates as profound an ignorance of psychology as of business principles. Vindictiveness and recrimination have no place in business because they serve no useful purpose. In fact, they do positive harm, since

they are the weapons of an effete and unsound method of training. Reasoned and discriminating censure will produce far more effective and lasting results; and at the same time will inspire loyalty and respect instead of bitterness and contempt. As already indicated, mistakes are never made deliberately or maliciously. They are the product of a great variety of causes. Investigation of the latter will alone determine the best method of correction; and this, if it is to be effective, must depend on the cause of the mistake and the condition and character of the person who made it. Reasoned reprimands, careful explanations, sound advice, timely warnings, impressing of responsibility, or, where inevitable, the ultimate removal of the really incompetent—these are the methods of modern management, and not those irresponsible and undignified outbursts of temper or sallies of sarcasm which are as ineffective as they are unbusinesslike.

POST

The question of the post has to be considered under two headings: incoming and outgoing. Methods of procedure vary to some extent according to circumstances, especially in certain minor details. It is therefore possible to deal only with the matter on more or less general lines.

(*a*) **Incoming Post.** In many companies the opening of the post is entrusted to senior officials, generally in rotation. It is clearly necessary, however, that all matters of importance should reach the eyes of the executive officers. And as a good deal of knowledge and judgment is necessary to be able to discriminate in such matters, the duty of opening the post should be committed only to persons of experience and discretion. If heads of departments, or even their deputies, possess these qualifications, the responsibility may be entrusted to them. But it must always be on the distinct understanding that all complaints, or anything that gives an indication that something is amiss, or any letters of importance raising points of principle or policy, must be set aside for a senior executive officer or someone deputed by him to deal with such matters. For this reason it is obvious that only responsible people should have access to the post-box, the keys of which should be entrusted

only to them. And, similarly, stringent rules must be made in connexion with letters delivered over the counter during the day, either by post or by hand.

With regard to the morning procedure, the system should provide that the work should be completed before the arrival of the rest of the staff. An adequate number of assistants—arranged preferably by rota—should therefore be available each morning. The method of dealing with letters on arrival varies considerably in different companies. For instance, a purely life office will naturally deal with its post differently from a big composite office. In the latter, life business is dealt with by the life department, which is usually divided up into various sections, which in the case of a purely life office would be dignified by the name of departments. But many of the letters addressed to a composite office do not state the department for which they are intended—some of them, in fact, may refer to policies in two or more departments and so require to be passed on from one to another. It will be realized, therefore, that no general rules for post-opening can be laid down in order to cover all classes of companies. The principal point to keep in mind, however, is that a letter should reach its destination—or one of its destinations—at the earliest possible moment, and that every precaution must be taken to get it answered the same day, or, if that is impossible, acknowledged the same day.

In order to ensure the answering of letters, and also to have a record of all letters received, it is the practice of some departments to enter them in what is called an " Incoming Letter-book," showing the name of the writer and giving a very brief epitome of the subject-matter together with particulars of any enclosures. The date of arrival is also impressed by a rubber stamp. The book is sometimes ruled with a column headed " Answered," which is subsequently filled in with the initials of the person replying to the letter. The column is " swept " at the end of the day in order to see that every letter has been dealt with. Where an acknowledgment postcard is sent, the column should be marked accordingly and the particulars carried forward to the next day.

This practice, however, is not very common nowadays ; in fact, in some departments, such as fire and accident, it is really

impracticable. In any case, the institution of a few elementary precautions and safeguards renders it quite unnecessary. There must be no "rubbish-heaps," no hiding letters under bundles of papers or stowing them away in drawers, baskets, or boxes. And where letters have to be filed under a general filing system, no letter can go away unanswered if the filing clerk has strict instructions never to file anything unless there is a carbon copy attached or a mark on the original to show that it has been answered or does not require answering. If filing is done day by day, as it should be, the worst that can happen is a day's delay in replying.

But whatever practice may be adopted with regard to entering general departmental letters, all letters containing cash should be initialed immediately on opening so as to show that the cash mentioned therein was *actually* enclosed. And if not, a note should be made on the letter stating the amount sent. All remittances should be at once entered in the cashier's Letter Book showing the name of the sender, policy number, and the form of the remittance, e.g. Ch., P.O., M.O., C.N., etc., and then handed over to the cashier with the book. He should initial the latter after verification.

Letters coming in during the day should be similarly dealt with. And all registered letters, whether containing cash or not, should be entered in the cashier's Letter Book or a special book for the purpose, and initialed for by the head of the department or section to whom the contents are handed. Letters arriving after a certain time, say two o'clock, are, in many companies, held over until the following day, unless they are of a particularly urgent or important nature.

All envelopes should be looked through later in case any of the contents have not been extracted.

(*b*) **Outgoing Post.** The work in connexion with the dispatch of the day's letters is often done by one or more members of the junior staff, generally by the last-appointed junior. It has been suggested that this practice gives a grounding and a general insight into details of the business. There is certainly an element of truth in this, but the advantage is probably more apparent than real. The knowledge and experience acquired in this way must necessarily be superficial, and cannot be regarded as an essential preparation for more responsible work; and it is very questionable whether it really

compensates for the time and trouble spent in successively teaching the work to every incoming junior. Moreover, as every beginner is liable to make a certain number of mistakes, especially in the early stages of his training, the company will be almost continuously subjected to the consequences of a never-ending series of mistakes in the postal department.

As it is obviously undesirable that a junior should have to spend much time on postal duties, there is much to be said in favour of entrusting the work to the more permanent messenger staff, provided it is adequate for this work in addition to its other necessary duties. Continuous experience will make them competent. And apart from occasional additions to their staff, which is incidental to all departments, the risk of errors due to changes in personnel will be reduced to a minimum. It has, in fact, been abundantly proved that they can be relied upon to carry out the work efficiently. Certain safeguards are, of course, necessary. Full responsibility must be thrown on them to carry out a proper system for collecting letters, seeing that they have been signed, copying them where necessary, inserting enclosures, sealing effectively, stamping sufficiently, entering in postage book, and posting in proper time. An occasional stamp audit, without notice, is desirable, and a certain amount of supervision is necessary so as to ensure that all letters are dispatched the same night. Where it is the practice for an officer of the company to sign all letters, it is desirable that any letters written too late for signing should be taken first thing the next morning to the heads of the departments concerned so that they may decide whether immediate signing and posting (or delivery by hand) is necessary or whether, after re-dating, they may go off by the ordinary evening post.

Among other points needing consideration in the organization of the postal department is the prevention of the duplication of envelopes for the same individual, with whom two or more departments may be independently communicating. If it is the practice for each department to address its own envelopes—and this is sometimes found a practicable and convenient plan—the envelopes should be arranged in strict alphabetical order and duplicates will thus be brought together, and those not required will be handed back for future use. With the increasing use of window envelopes,

this procedure cannot conveniently be put into practice, but nevertheless the point is one which should be kept well in mind by the official responsible for the supervision of the postal department. The provision of a pigeon-hole for each branch is a common practice.

To summarize, then, continuous practice and long experience will make perfect. And, therefore, wherever office organization makes it practicable, a small staff of intelligent messengers can generally be safely entrusted with the dispatch of the post. Junior members of the staff can thus be trained immediately on appointment for the particular departmental work which they are required to undertake. In this way two or three valuable years may be saved and at the same time very little, if any, general experience will be lost through missing a type of work which is done better by a regular postal department.

THE INDEX

A complete and thoroughly reliable index of names and addresses is an essential item of every company's organization. But the form of the index may vary. The old-fashioned bound-book type of index, though more or less convenient for a few hundred cases, provided the principal consonants are fully vowelized, is wholly unsuitable where the numbers run into many thousands. If large numbers are involved, the card index is the only really practicable method.

The objections to the book index are briefly as follows—

1. It is cumbersome for large numbers and insufficiently adaptable for varying needs.

2. Much time is wasted in searching for cases where no policy number is given.

3. Periodical expense is incurred by the need for additional pages, which have to be specially interleaved. This, however, would be obviated if the loose-leaf system were employed.

4. The appearance of the index after a number of years becomes untidy and often confusing, owing to varied handwritings and the overflowing of spaces. This is naturally liable to cause mistakes.

5. Complete re-writing will occasionally become necessary.

All the above difficulties and inconveniences are obviated by the card index, the only objection to which is the danger of losing or

misplacing a card. It may, perhaps, also be contended that, where a policy number is known, reference may be a little easier in the case of a well-kept book index. This may possibly be so. But if a card index has ample and well-arranged guides and the contents of drawers are clearly marked on the outside, the many advantages of this system far outweigh the one possible advantage of the book index.

But in all cases where cards are used, whether for an index or any other purpose, great care must be taken to prevent them from being lost or misplaced. To ensure this the drawers may be fitted with rod-locks, the keys of which should only be entrusted to reliable people. As a further precaution, it is sometimes necessary to insist that no card be removed until a reference card with a projecting edge, and showing the name and the policy number, has been inserted in its place. (This, however, is obviously unnecessary in the case of extractions for cancellation, as the latter, after removal from the "living" index, should be filed in strict alphabetical order in a separate cabinet for cancellations. This prevents the "living" series from getting overcrowded with useless cards.) From time to time the drawers must be run through in order to see that all cards have been replaced, and where a reference card is found it will be necessary to account for the original being outstanding.

One further point should be noted. Neatness is essential as well as accuracy. Typed cards are therefore much to be preferred to handwritten ones, being so much clearer for reference.

In a composite branch office, it is found advantageous to maintain a central index which will show at once all the policies in force for each policyholder, and all claims paid under those policies. Such an index is especially useful when a policyholder notifies the company of an alteration which should affect more than one policy. A glance at his card will enable the clerk to decide which departments need to have particulars of the change. The card is also helpful in ascertaining whether a connexion has been developed in all classes and whether it has been profitable.

The Visible Index. Another type of index that has come a good deal to the front in recent years is the visible card index. There are several kinds of these, but the main principle of the system is that the edges of the cards overlap so that the names can be seen

at a glance. The inconvenience of fingering cards in order to find the one required is therefore obviated. The cards are attached by various devices to stout cardboard, which can be withdrawn from a cabinet or hinged vertically to an upright pivot. When the required card is found, the cards above it can be turned back so that the particulars can be seen. Cards can be removed or new ones inserted quite simply. The system has many obvious advantages and can be used for many purposes other than for merely names and addresses.

LETTER FILING

The evolution of letter filing has proceeded apace in recent years. The old-fashioned method of pigeon-holing has now been generally superseded. A pigeon-hole for each letter of the alphabet is obviously too inelastic and unadaptable for changing conditions and modern requirements. Moreover, the space necessary for this system renders it prohibitive, for it usually necessitates the quadruple folding of the ordinary quarto-sized paper and its endorsement with the name of the correspondent and the date of his communication. This procedure naturally causes much unnecessary work and waste of time. And, further, the process of bringing together all correspondence to and from the same individual is very cumbersome and somewhat precarious, especially where the number of correspondents is considerable.

Although pigeon-hole filing still has certain restricted and special uses, it has now been generally abandoned, at least for letter-filing purposes. Perhaps the most up-to-date and convenient method for general filing purposes is the vertical filing system.

VERTICAL FILING SYSTEM

This consists of steel or wooden cabinets containing drawers designed to take quarto-sized folders standing vertically. The folders are made of stout manila and they are placed in the drawers with their open side uppermost. Strong tabbed guide cards are inserted between each set of one or more folders, according to the divisions of the alphabet that may be found necessary to meet the particular requirements of the office. The divisions may be limited to the number of the letters in the alphabet, or there may be

vowelized subdivisions of the consonants. But such arrangements are generally unsatisfactory and unpractical, except for quite a small file. Where the correspondents are very numerous, the alphabet should, for the sake of most convenient working, be split into many hundreds of subdivisions. This should be settled by filing experts, who have found by trial and experience what divisions of the alphabet will provide an even distribution of surnames, thus making the contents of each set of folders approximately the same. The letters in each folder are arranged in order of date, the latest-dated letter being on the top. It is often convenient to have two folders for each subdivision of the alphabet, one for the current month's letters and the other for the previous month's. The contents of the latter can be removed and stored at the end of the current month, and the folder will thus be freed for the next month's letters. With regard to storing, the box file (q.v.) is probably the most convenient, though where correspondence is in reference to policies, it is generally filed with the papers relating to the individual policyholders. In such cases, filing may be done day by day, thus avoiding the necessity for a separate filing system except for matters which do not relate to policies, such as general agency questions, investments, advertising, the company's shares, etc., for which separate files are usually kept. But there are certain classes of correspondence where it is found convenient to keep the current and previous month's letters readily accessible in the general office. Otherwise much time may be wasted, and unnecessary delay and inconvenience caused, by having to send for the original papers in order to obtain recent letters, which may be required in connexion with a large percentage of each day's post.

Copies of letters are nowadays usually taken by means of carbons in the process of typing. The cumbrous, time-wasting, and unsatisfactory method of press copies in a copying letter-book has been generally abandoned. Where there is a carbon copy, this must, of course, be attached to the letter to which it is a reply, preferably on top. And where printed form-letters are used, the number of the form and the date should be written in red on the answered letter either in one of the bottom corners or in the space provided by the " Received " stamp. The filing clerk should be strictly instructed

not to file any letter that does not bear this mark or has no carbon copy of the reply attached. Where some special note has to be added in the case of a form-letter, a copy of such note should, of course, be written either at the foot of the original letter or on a separate attached slip.

A proper system of reviewing outstanding correspondence should be employed. For some purposes the most satisfactory method is to enter in a diary a brief reference to each matter which may call for further attention, and refer to the diary daily. Where the number of outstanding matters is small, it may be simpler to run through the folders at regular intervals. Another method is to attach to the top edge of a folder a coloured clip bearing the date of the month on which the contents of the folder need to be reviewed. The disadvantage of this method is that the clips sometimes fall off the folders and matters are overlooked.

It must, of course, be clearly understood that the filing system above described in detail is more particularly intended for such letters as need not go away immediately with the original proposal papers or do not require to be kept in a special file. Of course, correspondence in connexion with a proposal will naturally be placed at once with the proposal papers. Similarly, letters in regard to a claim will be kept with the claim papers. There will be separate files, of course, for investments, agency appointments, branch accounts, and for certain other purposes. But in many departments of a composite office it is found necessary as a matter of course to send for the original papers whenever an inquiry occurs in connexion with a policy. Most questions cannot be safely dealt with otherwise. As soon as the letter has been answered, it is naturally placed, together with a copy of the reply, with the papers which are ready at hand and which will be replaced on their shelves in the basement the next morning.

A certain amount of discrimination is, of course, necessary in regard to what letters should be filed permanently, temporarily, or not at all. As to the first, there is probably not much question. Anything that may affect the contract fundamentally or the title, or that might be required to be produced in evidence in the event of a dispute, may be regarded as of primary importance. Among letters that it might be well to file at least temporarily may be

mentioned remittance letters, certain types of general inquiries, covering letters, etc. And then there are a few kinds of letters of a purely formal character that it is really waste of time and space to file at all.

There is one further point with regard to filing that calls for attention. It is very desirable that the work should be one person's sole responsibility; otherwise the loss or misplacement of letters cannot be so easily or so readily traced. For this reason it is often regarded as essential that it shall be the duty of the responsible person not only to file letters but also to extract letters required from the file. In fact, no one else should be allowed access to the cabinet. Better and safer filing is thereby secured.

PROPOSAL FILING

In many classes a written proposal is the basis of the contract of insurance, and, with few exceptions, it is essential that it should be carefully preserved and readily available. To protect the proposal and correspondence, use may be made of a manila folder or envelope, but during the war, many offices found that they could dispense with these and use the proposal itself as a backing sheet for the correspondence. Proposals may be filed economically on shelves. These should preferably be of steel, and for convenience they should be arranged in stacks in one room—or adjoining rooms. The papers are filed in the most appropriate sequence, each shelf being labelled with the first set of papers that it contains.

With regard to the actual method of filing, there are two or three possible ways, each of which has certain advantages. Arrangement in policy number order is the most usual, and probably the most satisfactory, plan. But there are some who advocate filing in strict alphabetical order. Where, however, business is rapidly increasing and new proposals considerably exceed cancellations, the alphabetical system will cause rapid expansion and necessitate frequent shifting forward of papers on the shelves. And besides, much greater care is needed in the replacement of papers which have been extracted for reference; whereas the policy number plan is simpler, and a general shifting up will only become necessary when further shelf-space is required. If it is the practice not to remove

cancellations, the policy number plan is much to be preferred. But whichever method is adopted, much depends on the completeness and reliability of the index, which has to be referred to in most cases before the requisitioning of papers is possible, in order to verify the policy number or to obtain the policyholder's full name. For in a large business the initials of the Christian names would not usually be sufficient for identification under the alphabetical filing system.

Although, perhaps, on the whole the policy number arrangement is preferable, it must be noticed that the alphabetical plan automatically brings together different policies issued on or to the same life. But where the former method is adopted it is usual, in the life department, where there are two or more policies, to file them under either the first or last number. The advantage of filing under the first number is that the additional papers will tend to compensate for, and thus utilize the space of, papers withdrawn in respect of cancellations. In some companies it is the practice to leave papers in their original place when further policies are granted.

The objection to this plan is that when all the papers are required for a member holding several policies, it is necessary first to obtain all the policy numbers from the index and then search separately for each set of papers, writing separate requisition slips and inserting them in their respective places.

With regard to the filing of cancelled cases, the papers may either be replaced in the " living " series or filed separately according to serial cancellation numbers. The former method requires no explanation, but with regard to the latter there may be slight variations in practice to meet the needs of different office systems. Perhaps the simplest and most satisfactory plan is to have a separate series of numbers commencing each year in respect of each cause of cancellation, e.g. lapse, surrender, death, etc. The cancellation folders, preferably varying in colour according to the cause of cancellation, would be marked thus for, say, the year 1935, *Lapses*, L 35/1, L 35/2, etc.; *Deaths*, D 35/1, D 35/2, etc.; and so on for other causes of cancellation. These numbers would be entered, of course, in the policy registers and also, for convenience, against the policy number in the index. The papers would then be filed in serial number order in separate cancellation series, and they would thus always be readily obtainable by reference either to the

index or to the policy register. The only apparent disadvantage of separate cancellation filing is that the constant removal of papers will necessitate periodically shifting papers back. But this objection is outweighed by the greater disadvantage of leaving cancellation in the "living" series; for valuable shelf-space is being used for papers that will probably never be required again. Moreover, all cancellations prior to, say, five years ago, can be stored elsewhere if additional shelf-space is needed.

Another method is to leave lapses and surrenders under their policy numbers and to file claims under claim numbers.

Great care is necessary in connexion with the extraction and replacement of papers. A missing set may cause serious trouble. A requisition slip should always be made out showing the policy number and name, also the date, and signature of the person requiring the papers. This slip should be inserted in the place of the papers extracted, and returned to the department concerned when the papers are replaced. The presence of the requisition slip will be a useful check on the correct replacement of the papers.

The foregoing applies more particularly to filing in the life department, but it also applies *mutatis mutandis* to the filing in other departments.

In the accident department separate series of numbers are used in each section of the business for policies and for declined and not completed cases and for claims. The papers are usually left on the shelves until the periodical clearance, when all the papers relating to policies which have lapsed for more than (say) five years are taken out and pulped.

In the fire department similar methods are adopted. Surveyors' reports are filed under serial numbers after being indexed in a book or on cards. Short reports by surveyors are, however, often made in or pasted into books, the numbers and folios of which supply the reference.

It is essential that when papers are sold to a waste paper merchant he should give a guarantee that they will be pulped.

RECORDS OF CERTIFICATES OF INSURANCE

Under the Road Traffic Act, 1930, the Motor Vehicles and Road Traffic Act (Northern Ireland), 1930, the Road Traffic Act, 1933

(Eire) and the Road Traffic Act, 1933 (Isle of Man), Regulations have been made prescribing that records shall be kept of the particulars and other matters required to be entered on the certificate of insurance. The Regulations under the Eire Act provide that these records must be kept in Eire.

These Regulations have been made to ensure that there shall be available to the Police or other Authorities, whenever required, reliable information as to whether a motor vehicle user had conformed or was conforming to the insurance requirements of the Road Traffic Act of the country in which he was using his vehicle. The insurance company is liable to penalties for failure to comply with these Regulations.

One system which may be adopted is to take a carbon copy of the typewritten matter on the certificate at the time of its completion. Subject to the insertion on the copy of the class of certificate and serial numbers (which are printed on the certificate) no doubt is left as to the accuracy of the record of this certificate. The copy of certificate can be filed with the proposal papers or in a cabinet or file set aside for that purpose. If either of the two last-mentioned methods is adopted it will facilitate reference if the copies are filed in alphabetical order, according to the name of the insured, in monthly order according to the date upon which the policy to which the certificate relates expires, or in policy numerical order.

Another method is to combine the card index of all policyholders with the record of certificates. In addition to the name and address of the policyholder and the number of the policy issued, the card would embody information as to the registered letter and number of the vehicle, the class of certificate issued and expiry date of policy, and the bottom of the card subdivided to provide for the insertion year by year of the serial number of all certificates. The date of delivery of the last certificate should be recorded when the insured has not been in possession of certificates which have been continuously effective. Where any special wording has been typed on the certificate which could not conveniently be recorded on the card a carbon copy of the certificate wording should be filed with the proposal papers and a note to this effect made on the card.

Coupled with either of the foregoing methods it may be considered an advantage to keep a certificate record book. This book should be subdivided as between the various classes of certificates utilized, and the certificates taken from stock for current use entered therein in serial numerical order. After a certificate has been prepared and duly recorded entries could then be made in the book provided for the particular class of certificate.

Advantages claimed for such a book are—

1. It would ensure a record of every certificate taken from stock. If a blank space intervenes in the book it would put the responsible official upon inquiry as to what had happened to the missing certificate.

2. It would facilitate reference to the details of a certificate where the only information available is the certificate number.

Temporary certificates of insurance are also embodied in cover notes, and records of these must also be kept. A practicable method of keeping such records is by means of the counterfoil system, essential details of the cover-note being entered on the counterfoil prior to issue of cover. Where agents are supplied with books of cover notes the book should contain a double counterfoil—one to be retained by the agent and one for dispatch to the Insurers.

SUGGESTIONS

It is the practice of many companies to issue a general invitation to their staff to make suggestions for the improvement of office methods or practice. A suggestions book—or preferably a box—is the usual means employed for this purpose. The book (or box) is accessible to all members of the staff, who are encouraged to set out and sign any suggestions that may occur to them. Each suggestion is submitted to one of the principal officers of the company, who will consider it carefully and probably discuss it with the head of the department concerned. If it is found feasible and beneficial, it will be marked " approved " and put into operation as soon as practicable.

The principle involved is sound and the plan has been found in practice to result in many improvements in office systems. Moreover, it has the effect of encouraging the staff to take a greater and more intelligent interest in their work and of giving them a

better sense of practical co-operation in the advancement of efficiency. They are also assured that their keenness and intelligence have not passed unnoticed by the management.

But there are sometimes difficulties of a personal nature which tend to nullify or hamper the practical working of the scheme. There is a certain type of departmental chief who resents suggestions and objects to any innovations or improvements that emanate from any mind but his own. If he is getting on in years he may be ultra-conservative or groove-ridden. But in any case he may be one who takes the small-minded view that the very suggestion of an improvement, however small, is a reflection on his own administration or initiative. He may, therefore, try to turn down all suggestions with more or less plausible arguments and strongly discourage his staff in making them. He may even go further. He may make things decidedly unpleasant for anyone whose suggestions have been formally approved by the management. Should this sort of attitude come to light, it must be tactfully but firmly handled. Or should it be found that the suggestions book is, in effect, boycotted by any particular department, either the management will be forced to the conclusion that the systems are incapable of improvement—a conclusion which any subsequent defects will immediately disprove—or they will be inclined to suspect that the head of the department, or perhaps his deputy, is either incompetent or jealous of his juniors, which is merely a particular form of incompetence, or a tacit admission of it.

"INTELLIGENCE" DEPARTMENT

A proper system for the dissemination of information of special business interest is a very desirable institution. The system is capable of almost unlimited elaboration. An experienced member of the staff should be selected to act as the central responsible authority for receiving, editing, and circulating all important items of intelligence. Members of the staff, and particularly heads of departments and officials, should be requested to submit matters of interest that may come to their knowledge through the daily press, business journals, or any other source. If it is considered desirable to disseminate the information either throughout the whole staff or any particular department or departments, it will

thereupon be circularized accordingly. The memorandum, headed "For the information of . . . Depts.," will contain either the actual press cutting or an epitome of it or a reference where it may be found. On its reaching the head of each department, he will peruse it and either circulate it among his staff or have a copy of it made for circulation and filing.

The same method of circularization may be adopted in connexion with any change of office practice or any new departure.

The ideal form for circulating intelligence is perhaps a staff magazine.

CHAPTER V

MECHANIZATION

IN the earlier editions of this book this chapter was headed "Machines"—the term "Mechanization" did not exist. Now it is in daily use and the application of machinery to our business needs has reached a high state of development. Finality has by no means been attained but already progress has been made to such an extent that the subject warrants careful study.

It has been said with some truth that no man, or woman, should ever be called upon to do work that is capable of being done by a machine. Human beings are so inferior to machines in some respects and so superior to them in others that it is more than ever necessary in this present age of specialization to employ machines wherever they can work better than men and only to employ men where they can work better than machines. And just as the machine may be said to specialize in routine work, so must the human mind be conserved for specialization in work that the human mind is alone designed to perform. But as the development of the essentially mental qualities of intelligence, discretion and judgment is definitely retarded by squandering or dissipating mental energy on routine work that can be done much better by machines, it is essential in the interests of the highest economy to conserve that energy by the use of machines wherever practicable.

For centuries machinery has been used and developed with ever-increasing intensity for saving manual labour. But it is only within comparatively recent years that it has been used to any appreciable extent to save mental as well as manual labour. The machine in the office has come to stay because it is found by ever-growing experience that it saves both time and effort, and thus sets the mind free to develop along those lines of unique usefulness for which it was specifically destined.

It is still, however, sometimes urged against the use of machinery in the office that it is a fruitful cause of unemployment. Similar objections were raised in the early years of the nineteenth century, when machinery was first introduced on a large scale in agriculture

and manufacture. But apart, perhaps, from some temporary dislocations and disturbances in the labour market, experience has proved that the contention has no foundation in fact. If machinery enables more work and better work to be done in the same or in less time, business will be stimulated by being more quickly and efficiently transacted. Two consequences will probably follow. A larger volume of business may be attracted and made practicable to negotiate, or shorter working hours may become possible for the staff, thus probably increasing their efficiency.

It is proposed to describe briefly in the following pages some of the most useful mechanical devices in use in modern offices. Some of them save mental effort, others manual effort. But all of them save time and set the human machine free to undertake work that no other kind of machine is capable of performing.

CALCULATING MACHINE

One of the earliest types of calculating machine of really practical utility was the Arithmometer, which was invented many years ago by a French mechanician and patented by Thomas de Colmar, a former manager of the Soleil Assurance Company in Paris. By means of this machine it was possible to add, subtract, multiply, and divide with great rapidity. Mechanical improvements and time-saving devices have in recent years added considerably to the reliability, facility and convenience with which calculations can be made. And although the main principles of internal construction and external manipulation are more or less similar, there are now many varieties of machines, some of which enable the operator to perform processes which would have been either impossible or much slower and more laborious in the earlier and simpler types.

It may, perhaps, be useful to give a general description of the machine and a brief outline of the procedure in its use.

The machine consists of two plates, which differ to some extent in shape, size, and position, according to the make of the machine. There is a "fixed" plate, which may be flat, barrel-shaped, or in the form of a keyboard, and there is a movable carriage or "slide." Except in the keyboard type of machine, the fixed plate contains a number of vertical slots, each of which has the numbers 0–9 painted at the side. Each slot has a movable marker, which can be placed

against any number desired. A number is placed or " set " on the fixed plate by moving the markers to the required numbers along the slots. In the case of the keyboard type of machine there is a number of vertical columns containing nine keys each, similar to those of a typewriter, the keys in each column being numbered 1–9. (Each column, of course, corresponds in principle to a slot in the machine described above.) A number is " set " on the keyboard by depressing the appropriate key in each vertical column, or in as many of them as may be necessary to complete the number.

The " slide " contains two registers, each consisting of a row of holes, through which numbers become visible as the mechanism is set in motion. The longer row of holes is called the " product " register, and the shorter is the " quotient " register. The slide can be moved in either direction by hand, or by a lever, or automatically in the case of an electrically-run machine.

The mechanism that makes the calculations is worked by a handle or by electric motive power. In the earlier types of machines the handle can be turned in only one direction, " regulators " being provided to set the machine for addition and multiplication, or for subtraction and division. Some of the later types will add and multiply when the handle is turned forwards, and subtract and divide when the handle is turned backwards.

The markers and registers can be cleared to zero by simple devices which vary according to the type of machine.

To illustrate the process of, say, multiplication, the multiplicand is first set up on the fixed plate. (For the sake of simplicity, the arithmometer type of machine will be assumed in order to save the duplication of expressions ; the general procedure is very similar in the other kinds of machine, and the application of the description should, therefore, be obvious.) The regulator is then set to " addition and multiplication." A single turn of the handle will throw up the multiplicand into the product register and the figure 1 in the quotient register. A second turn will add the original multiplicand, which is still standing on the fixed plate, on to the figures shown in the product register ; that is to say, it has added it to itself, or, in other words, multiplied it by 2 ; and the 1 in the quotient register will become 2. The handle will continue to be turned until the multiplicand has been multiplied by the required number of digits

in the multiplier. The slide is then moved one space and the handle turned as many times as the number of tens in the multiplier; and so on for the hundreds, thousands, etc. When the process is complete, the product will appear in the "product" register and the multiplier in the "quotient" register, which will check the accuracy of the process.

Similarly for division, the dividend is set up on the fixed plate and then thrown up into the product register. The fixed plate is then cleared, and after setting the regulator to "subtraction and division," the divisor is set up on the fixed plate so that its extreme left-hand figure will be immediately below the extreme left-hand figure of the dividend, provided, of course, that subtraction is rendered possible; if not, the slide must be shifted one space to allow of subtraction. The calculation then proceeds by continually reducing the dividend in each power of 10, e.g. tens of thousands, thousands, hundreds, etc., until no further subtractions are possible in that power, and then shifting the slide to the next lower power. Finally, the quotient will appear in the quotient register, each set of handle-turns throwing up the successive quotient figures.

As already indicated, there have been in recent years many improvements not only in the accuracy and durability of the mechanism, but also in the simplicity and facility of manipulation and in the extension of its capabilities. In fact, there are machines that merely require the placing of dividend and divisor on the slide and fixed plate, respectively, and the whole process is performed by electric power without any further manipulation whatever. Even in the hand-worked machines the time saved is enormous, calculations being made by an expert operator with greater accuracy and in less than one-tenth of the time taken by the use of logarithms. If economy of time and mental effort is regarded as an important consideration, and it certainly should be in modern business, it is very doubtful whether any department of an insurance company can afford to neglect the use of the calculating machine. It is quite impossible to do full justice to its capabilities and possibilities by mere description on paper. Its real value can be fully appreciated only by practical experience. Moreover, the expert operator is an invaluable asset to every organization; and this is a matter that is too often overlooked.

ADDING MACHINE

Although the calculating machine described in the previous section effectively performs the functions of adding, the process is not so rapid as in the case of the purely adding machine owing to the method generally employed in the former in setting up the successive items by means of markers. And, further, the individual items and totals cannot be printed; so that there is no check on the former as would be provided by calling back a typed list with the original. And in the case of certain machines, which possess the advantages of a keyboard and therefore perform adding and subtracting operations very rapidly, there is no device for typing items and results. But for certain types of work this, in itself, is not necessarily a disadvantage. Where a great number of figures are exposed to view—as, for example, in a columnar analysis book—it may be better and quicker to obtain totals by the most rapid means at our disposal (and then to "prove" the results by a re-cast of the whole) than to list each item in the process of casting to facilitate a "call-back."

Where such conditions obtain, a Comptometer affords one of the most rapid means for totalling, for the reason that the depression of its keys actually operates the adding mechanism. In the ordinary type of keyboard calculating machine, as also in adding-listing machines, the depression of the appropriate keys merely sets up, as it were, what the machine is required to add, and thereafter a further operation is necessary—the movement of a lever or the depression of a motor bar—to put the adding mechanism into motion. For this reason—because the keys of the Comptometer directly actuate the adding mechanism—two or more keys can be simultaneously depressed, if desired, and each will simultaneously affect the accumulated total, thereby giving scope for an operational speed that is perhaps unequalled by any other office method. Many Comptometer operators follow the procedure usually adopted in the mental addition of figures, viz. to run up the pence column first, then the shillings, and so on—a method which certainly appears to make for the rapid disposal of columnar work, and which could certainly not ordinarily be adopted with an adding-listing machine. In the hands of a skilled operator, a Comptometer can be used to perform practically any calculation required in the ordinary conduct

of insurance business seeing that it is also adapted to multiplication and division work. Even in unskilled hands, the ability to make additions very rapidly is soon acquired.

One of the best known types of adding-listing machine is the Burroughs, of which there are over a hundred varieties. The machine consists of a number of vertical columns of keys, nine in each column, numbered from 1 to 9. A number is "set" by depressing the appropriate keys horizontally, one in each column, according to the number of figures required. The number is then recorded in the "total" register, corresponding to the product register in a calculating machine, and at the same time it is typed on a continuous strip of paper; this is effected by pulling a lever in the handworked type of machine or by depressing a bar in the case of the electrically-worked type. This movement automatically releases the keys so that the next item can be set. And then, by repeating the lever or bar movement, the item will be typed on the slip underneath the first and the sum will be recorded in the "total" register. Any number of additions can be continued in this manner until the final total is required. This will be typed at the foot of the column of items by depressing the "total" key and at the same time pulling the lever or touching the bar. This will clear the "total" register. A sub-total can also be typed at any stage by depressing the "sub-total" key and making the usual lever or bar movement. But this will not clear the "total" register, as in the case of depressing the "total" key. As already indicated, the machine is capable of adding shillings, pence, and farthings. There are also other devices which are frequently found useful, such as a "repeat" key, which saves continual re-setting where the same number has to be added several times, and a "non-add" key where it is desired to type an item without bringing it into the total.

Another popular kind of adding-listing machine is that represented by the ten-key type. In these, the keyboard consists, not of a series of columns of ten figures each, but of ten keys only, conveniently arranged for operation with one hand. The amounts to be added are set up on the keyboard just as they would be written by hand, i.e. the successive depression of the keys 1, 2 and 3 will record 12/3 in the adding mechanism when the lever is depressed, whereas if the keys 1 and 2 only had been depressed, an amount of

1/2 would be added to the total already accumulated. The restriction in the number of keys is, in fact, made possible by ingenious shifting mechanism embodied in the machine which enables the same set of keys to actuate in turn a succession of adding wheels.

A noticeable advantage of this type of machine is the facility with which "touch" action can be acquired, and a practised operator is thereby enabled to make all the necessary key depressions without looking at the keyboard, whilst, with the disengaged hand, he or she may rapidly turn over cards, slips or other media, transferring to the machine the figures appearing on them.

It is no doubt unnecessary to mention the uses of the machine for office purposes, as they are sufficiently obvious. There are probably no insurance companies nowadays that can afford to be without one. In fact, most big companies can keep several machines in almost constant use. It might further be mentioned that the electrically-worked machine saves a considerable amount of time and physical effort; and the cost of electric power is relatively small.

It will be appreciated that the true use of adding machines is not limited to the addition of columns of figures already listed or entered into one of the office books. It is possible that the sole *raison d'être* of such list, such column—or even such book—is to facilitate the addition of the figures, for without an adding machine, there is indeed no practical alternative method of so obtaining that total. The use of an adding machine, however, may render the continued maintenance of such list or book quite unnecessary, and it is in this, and similar directions, that the value of adding machines is often strikingly evidenced.

BOOK-KEEPING MACHINE

The principles of the adding machine have in recent years been usefully linked up with the typewriter in such a manner as to open up an entirely new field in accountancy technique. To special typewriting machines there have been added, upon a bar in front of the sliding carriage, any required number of minute adding units, something on the lines of a Veeder cyclometer, at intervals to correspond with the columns of the work required to be performed, say

a ledger account. The ordinary typewriting keys are used to write such descriptive matter as is required (say the insured's name and policy number), but when the carriage is moved over to the debit column, the figures typed into that column set in motion the adding box allocated to it, and so the total of its items is built up simultaneously with the entry of typed figures.

To the right of the machine, there is another adding box, somewhat similar in appearance to the vertical totalizer already described, the particular purpose of which is to determine the horizontal total of all amounts entered on to the sheet. It automatically returns to zero as soon as the amount it displays is typed into its appropriate columns, and it will be seen that herein lies its adaptability to ordinary book-posting processes.

Let us assume that an agent's account is to be debited with a new policy premium of £1. The particular ledger sheet allocated to the agency concerned is selected from a tray or binder and inserted into the machine from the front of the carriage, instead of round the roller from the rear, as in the case of an ordinary typewriter feed.

The account already shows, perhaps, a balance due to the company of £10. The machine is accordingly "charged" with this amount by the process of typing the necessary figures into a special column provided for this purpose. It will probably be headed "pick-up." The carriage is then brought into position for the insertion of the appropriate descriptive particulars, such as date, policy number and insured's name, after which the £1 premium is typed into the debit column. That £1 is added in the vertical totalizer, which then shows the total of all the debits entered up on all agency accounts to that time, and it simultaneously corrects the horizontal total into £11—the new current balance on that individual account. That balance is then typed into the balance column, and the cross-totalizer is automatically cleared again, ready to function when the next account is inserted.

It will be seen that a new degree of accuracy is thus imported into book-posting operations, as compared with the ordinary manual process. At the end of the day's postings, the actual totals of the figures entered into all columns of the different agent's accounts can be verified against the total independently obtained,

notwithstanding that the columns on the individual accounts have not themselves been totalled, and irrespective of whether the number of the accounts which have been operated during the day be many or few. If at the end of the run any discrepancy be noted between the check total and the machine total, it can readily be located, for a *seriatim* carbon list of all postings made throughout the run is, in fact, simultaneously being recorded on to a "journal" sheet which moves round the typewriter carriage in the ordinary way, remaining in position all the while, notwithstanding the frequent insertion and removal of the individual accounts. Moreover, each account has its individual balance to date shown clearly upon it, and at the end of the month or quarter, whatever the accountancy period may be, no further "closing" is necessary, if, in accordance with modern insurance practice, commission items have been individually deducted or added in the process of posting.

When it is appreciated that agents' statements—duplicates and the actual ledger entries—are prepared by some users of this system simultaneously with the posting of the ledgers, it will be realized that the "end of the quarter" peak load is thereby greatly reduced. There is no need to rule off and close each account in order to strike a balance of the books, seeing that the balance of each account is already known, and that the totals of the debits and credits have been agreed daily.

The valuable potentiality of these machines can only be fully appreciated by a careful and practical study of their many uses.

COPYING MACHINE

The old method of copying letters in a press copy-book has now been generally superseded either by the carbon copy or by the rotary copier. For most purposes the carbon copy is quite sufficient, but it is sometimes desired absolutely to ensure, as a matter of course, that an exact copy of a letter or document is obtained to file with the original; there is always a risk of an alteration being made on the latter after typing, and not on the copy. Provided the copying is done after signing, the rotary copier ensures that the original and its copy are identical.

The process is quite simple. The letters are fed between rollers and copied on a continuous sheet of specially prepared paper which

runs through the machine. As the copies come out they are automatically cut to the requisite size. Forty letters can be copied per minute.

Apart from the benefit arising from exact copies, the following advantages over the carbon copy method may be mentioned—

1. Saving of the time spent in bringing together and adjusting the letter paper, carbon, and copying sheet by the typist.
2. Saving of the time spent in making corrections on the copy.
3. Saving of the cost of carbons.

On the other hand, the separation of the answered letter from the copy of its reply causes extra work for the filing clerk and creates a danger of attaching a copy to the wrong letter. And further, since letters consisting of more than one page must be unpinned before copying and any attached enclosures removed, the risks of mistakes in the postal department are increased.

However, even if the advantages of the machine are not considered sufficient to outweigh its disadvantages in connexion with the general correspondence and postal system in operation in any particular company, considerable use will probably be found for it in other branches of the organization.

DUPLICATING MACHINE

A process for taking a number of facsimile copies of a letter or circular is generally essential at some time or other in every business. This process is termed duplicating. There are several methods employed, and it is merely a question of the quantity and quality of the copies required that will determine the type of duplicator to be used..

The simplest and cheapest process consists of a tray containing a composition of gelatine or preparation of clay. An impression of the document to be copied is made by pressing it on the composition. Copies may then be taken from the latter by placing the copying sheets on it and rolling each of them lightly with a roller. Fifty copies can usually be taken with satisfactory results.

Greater possibilities are presented by another type of duplicator, which makes use of a special hectograph carbon paper, by which 200 or more clear copies can rapidly be obtained of any matter

typed, written or drawn on to a sheet of highly glazed paper with the carbon behind it, face upwards. A reversed (mirror-like) impression of the matter to be reproduced is thus created on the back of the glazed "master" copy, and this is transferred to a rotary "mangle" which brings the paper bearing the reversed impression into contact with the paper which is to receive the clear impression, at the same time damping the negative with an alcoholic solution.

The result is that a very small part of the carbon impression on the master copy is transferred successively to the sheets of blank paper as they are fed into the machine, but small as it is, the amount is sufficient to create a sharp and bright impression on each copy, in several different colours if required.

The machine has many practical applications in office work, seeing that the master copy can be stored for some while without noticeable deterioration, and can be altered as required.

Another process is that known as lithography. Special transfer paper is necessary for typing the original, and a lithographic ribbon or pad must be used. The transfer sheet must then be dispatched to the lithographer immediately in order to ensure satisfactory results. A very large number of copies can be obtained by this method.

But perhaps the most general method of duplicating is the application of the stencil principle. The stencilling sheets are now generally supplied in " sets," each consisting of an oiled tissue, a wax and a backing sheet. A stencil is cut by typing directly on to the wax sheet, with the typewriter ribbon attachment out of action. After typing, the set is removed from the machine, the wax sheet is withdrawn from the set and fixed in the printing frame. It is then well inked with a roller, and when a clear copy is obtained on the blotter the printing-off process can be commenced. A sheet of paper is first of all inserted in the baseboard, the frame containing the stencil is lowered, and the ink roller is then passed lightly over the stencil. The sheet will then bear a typewritten facsimile of the original. With careful handling, as many as a thousand copies may be taken.

Instead of a flat printing frame, the stencil may be stretched round a cylindrical wheel. This is the principle of the rotary

duplicator, which is a much more rapid method of taking copies. Many improvements in the printing process have been made in recent years. Among these is a method of automatic inking. The "feeding" can also be made automatic, and the printing process therefore merely consists of placing the paper on the feed-rack and turning a handle which has the effect of drawing the sheets one by one into the machine, printing them and passing them out at a speed of 100 or more a minute. The machine may also be worked electrically. As many as 5,000 copies can be taken from a single stencil.

OFFICE PRINTING MACHINE

The principal objection to the stencil method of duplicating is the limit to the number of copies that can be taken and the deterioration in their quality as the limit approaches. And although the number runs into several thousands in the case of the most modern types of machine, it may be desired to obtain a still larger number, or repeats of the same form may be required at some subsequent date. Again, typewriting type may not always be suitable for the purpose in view. Type-setting machines such as the Multigraph have therefore been introduced, thus enabling a company to do a large amount of its own printing. And where its printing bill is several hundred pounds a year, the installation of one of these machines will effect considerable economy. The type-setting process is naturally slow compared with the stencil method, but once set up, an unlimited number of printed copies can be taken. Moreover, the choice of any variety of type is a further advantage.

The type is set up on a segment of a cylinder (called the printing drum), which consists of grooves into which the type can be transferred from an adjoining revolving cylinder containing the supplies of type. The latter cylinder can be turned in either direction so that the groove containing the letter required is opposite the groove of the printing drum on which the type is being set up. A turn of the operating key then automatically transfers the type from the groove of the supply cylinder to the groove of the printing drum containing the current line of the letter or circular. An expert operator can set type in this way at the rate of about one line per minute.

When the setting is completed, the drum is removed to the printing machine, which is capable of striking off copies at the rate of over 5,000 an hour if electrically driven. As the hand-turned machine is rather heavy working, the best results are obtained by electric motive power. Three speeds are obtainable in order to meet different rates of hand-feeding.

It should, perhaps, be mentioned that the type of the automatic setting machine described above is usually imitation typewriting. Other kinds of type, however, may be used, but these are generally stored in cases and therefore have to be set by hand on a " printer's stick " and then transferred line by line to the printing drum.

The latest make of machine includes the following special attachments—

1. An automatic paper feed, which is adjustable for any thickness of paper.

2. A printing-ink automatic supply, which practically makes the machine an ordinary printing press.

3. A facsimile signature and letter-heading attachment, which can be printed with the body of the letter.

4. An electric power device, which greatly increases the rate of output.

It is important to bear in mind when considering the installation of one of these machines that they work best when given plenty of use. They should always print several thousand copies a day in order that the best results may be obtained.

ROTAPRINT

Another type of office printing machine which is capable of producing extremely high class work is the " Rotaprint," which employs the off-set lithographic principle.

The matter to be reproduced is transferred to a flexible aluminium sheet either by typing or drawing on to it direct, or else by transferring the image to it photographically. If direct typing or drawing is employed, a special litho ribbon or pencil is used, slightly greasy in nature, and it is this characteristic—based upon the well-known fact that a greasy surface repels water—that makes the process possible.

If the machine is used to reproduce ordinary printed matter—

and it is quite capable of turning out policy forms, prospectuses, and in fact any of the forms in ordinary use in an insurance office —a simple daylight photographic process is first brought into play. The aluminium sheet is sponged with a sensitizing mixture, dried with a hot-air blower, and placed in contact with a glass or celluloid negative of the matter to be reproduced. An electric arc lamp makes the necessary exposure, and development is effected by sponging the plate with a developing fluid. After fixation the plate can be stored indefinitely, and when required for printing purposes it is transferred to a rotary printing machine which, on the roll-feed model, will turn out printed copies at the rate of 6,000 per hour.

As the sheet revolves, it is moistened with water, but the water is, of course, repelled from the greasy parts of the sheet, which then take up a supply of litho ink, itself somewhat greasy. The sheet then comes into contact with a cylinder of flexible rubber, which naturally takes up the inked impression and transfers it to the blank paper fed into the machine. The sheet is capable of yielding some 15,000 to 20,000 impressions before renewal is required, and will print on to practically any kind of paper.

The machine is naturally employed to best advantage in producing further supplies of existing forms. There must first be in existence an original from which a photographic negative can be obtained, but it affords a very practicable method of maintaining stocks of the multitudinous forms in use in any insurance office.

OTHER PRINTING FACILITIES

A striking development of recent years is the ingenious combination of the functions of printing and addressing machines by which it is now possible to produce in one operation from blank paper, say, a circular letter in imitation typewriting, individually addressed to different recipients, with a printed letter heading and a facsimile signature, each in a different colour if required. Outstanding examples of machines of this type are the Ava and the Addressing Multigraph.

ADDRESSING MACHINE

One of the most valuable time-savers in modern business is the addressing machine. Its name, however, hardly does justice to

its many capabilities. Although primarily designed for addressing its applications to other useful purposes are very numerous; these will be referred to later in this section.

The machine consists of two distinct parts—a puncher and a printer. The required particulars are first of all punched either on metal plates or on manila fibre sheets fixed in frames, according to the type of machine. In the former, the puncher embosses the particulars required, and in the latter it prepares stencils. (In order to save the repetition of the alternative form, the word "disc" will be used to cover both plate and stencil.)

After the discs have been prepared, they are placed in trays which fit into drawers for convenient storing. When it is desired to print, the tray of discs is taken from its drawer and its contents are transferred by a simple device to the feeding rack of the printing machine. As the printing mechanism is set in motion, the discs slip into position one by one for printing. The envelope, card, or notice, is then fed into place and impressed by means of a handle or treadle movement. The disc is then passed automatically into its original tray, which has been transferred into position to receive it. A speed of over 1,000 an hour can easily be obtained in the case of consecutive printings. But, of course, where certain cases have to be missed, the discs must be watched as they appear and, if not required, allowed to pass unprinted. It is possible, however, to arrange for a "selecting" attachment, which will automatically place in position for printing only those discs that are required. A small projecting piece of metal is affixed to the top edge of the disc, its position varying according to the desired classification. A mechanical device in the printing machine, called the "Selector," will then pick out and place in position for printing only those discs bearing the attachment for which the selector has been set. For example, suppose it is desired to use the machine for renewal notices and it is found more convenient for office purposes to keep the discs in policy number order, attachments in twelve different positions would be affixed, one for annual cases, two for half-yearly, and four for quarterly. And therefore, when printing notices for any particular month, the selector will be set so that only the discs for cases renewable in that month will present themselves for printing. On the other hand, if any other classification is desired,

for instance, according to branches, geographical distribution, sum assured, duration, or any other general grouping, it is merely necessary to affix attachments in their appropriate positions, and the selector, when set for the required position, will pick out for printing only those plates that are needed.

It might be mentioned here that the metal plates, as well as the manila stencils, are usually fixed in frames which have a slot where a thin slip of card showing particulars for ready identification can be inserted. This is found very convenient for purposes of reference when a disc is required for removal or alteration. Where a stencil requires altering, it is usually necessary to prepare a new one. But in the case of the metal plates, where cost is of some consequence, alterations may be made by punching out the original particulars and punching in the new ones. In the better qualities of plates this process may be repeated three or four times over the same surface. More than this is not satisfactory, as the metal tends to crack and the printing impressions are not therefore always clear and well defined.

In addition to its principal uses for addressing and the preparation of renewal notices and receipts, index cards, envelopes for circularizing and the like, the machine can be adapted to many kinds of tabulating as, for example, agents' renewal lists. As a disc is capable of containing a considerable number of particulars and as the printing machine has a "blocking out" attachment which makes it possible to print one particular set of items to the entire exclusion of all the rest, it will be appreciated that the value of the machine as a tabulator is by no means negligible. The additional facility for simultaneously producing one or more carbon copies of the list adds to its utility.

Moreover, discs can be prepared and kept in hand for printing off supplies of envelopes addressed to branch managers, agents, the company's solicitors, brokers and bankers, or any other firms or individuals with whom it is required to communicate frequently. A considerable saving in the stationery bill can thus be effected.

Again, the machine is often found useful for printing short notes or reminders frequently required in internal office organization, which would otherwise have to be typed or written out every time by hand.

In fact, it is hardly an exaggeration to say that when the potentialities of the machine are fully realized, it may well happen that its value for general purposes may be found even greater than that for which it was primarily installed.

SORTING AND TABULATING MACHINE

Another machine whose possibilities of usefulness are almost unlimited is the sorting and tabulating machine. The two best known types at present on the market are the Powers-Samas and the Hollerith. The complete equipment consists of three distinct parts, the puncher, the sorter, and the tabulator. The basic principle on which the system is built is a card punched with holes in different positions to indicate numbers and letters. This is the working medium. The card is printed with a number of columns, each column containing the numbers 0–9 for pounds and shillings, 0–11 for pence; and the columns are grouped according to the nature of the items to be recorded. The figure required for record in each column is punched out, leaving a hole. For instance, suppose it is desired to indicate a sum assured of £375. In the group of columns reserved for the sum assured the 5 of the last column would be punched out, the 7 of the last but one, and the 3 of the last but two. For verification and reference the figures 3, 7, and 5 can also be printed at the top of their respective columns. Other groups of columns will be allotted for any other items that may be required on the card, such as policy number, name, bonus, premium, etc. The usual type of card will allow of thirty-six, thirty-eight, sixty-five or eighty columns.

When the cards have been punched, it will probably be found convenient to keep them in policy number order. Suppose it is now required to sort them for tabulation according to years of maturity or years of birth. The sorting machine would first of all be set for sorting in ten-year groups, and then the cards in each group would pass through the machine again for sorting according to individual years. But as the rate of sorting is 400 per minute on one column, the double sort will give an overall speed of 200 per minute. Similarly, if it is required, after tabulating the cards, to sort them back into policy number order, six sorts would be necessary in the case of, say, anything between 100,000 and 1,000,000 cards.

In the Powers-Samas equipment the sorter has a carriage carrying a pin box containing 12 pins which descend on the card as it is automatically fed into position. As there is only one hole punched in each column, only one of the 12 pins will pass through. This pin will touch a nipple on the end of a Bowden wire, and thus make an electric connexion which will open the lid of the box appropriate to that particular card as it is passed along on a row of wheels and rollers. Although the connexion is made just after the card leaves the feeding-tray, the lid is timed to open at the precise moment that the card reaches it. As soon as it has slipped into its box, the lid closes instantly, as the next card may have to pass over it one-fifth of a second later, on its way to a box farther off. The setting of the machine for successive sortings is quite simple. And as the mechanism is electrically worked, the operator's duties are confined merely to supplying the feed and clearing the 13 sorting boxes as they fill up. It might be mentioned that a "counter" may be fitted to each box to register the number of cards that have been passed into it. The 13th box lid is left permanently open so that it will automatically receive any cards not punched in the column which is being dealt with.

In the 1921 census 38,000,000 cards were punched, 300,000,000 were counted, and nearly 900,000,000 were sorted, that is to say, passed through the sorter for various classifications. The cards used would have made a stack over four miles high.

The process of tabulating is both simple and rapid. The function of the tabulator is to reproduce or translate into figures and letters the holes punched in the cards. There is, perhaps, no need to explain here the details of the mechanism, as the general principle of electric connexions is similar to that of the sorter. Any number of columns can be printed and added at the same time, and totals or sub-totals are registered and, if desired, printed at any point in the tabulating process. Names containing ten letters can also be recorded on the cards, and printed.

The tabulator has many other devices to meet almost every possible need. Among these are: (1) automatic stop when the magazine is empty; (2) subtraction; (3) cross adding; (4) listing in full or printing totals only; (5) non-adding or non-working of any unit; (6) non-printing of any digit. The speed of operation

is sixty-five items per minute. The machine may be left to run continuously; the operator's duties merely consist of feeding the cards to the magazine and inserting the printing sheets, i.e. if a continuous roll is not used.

The possibilities of the machine are almost limitless, and when combined with an addressograph its usefulness is still further extended. Although it may be used with excellent results for renewals and any kind of listing and adding, probably its greatest value for insurance purposes lies in its use for the periodical valuations and bonus distributions of a life office. And where the amount of sorting and tabulating does not justify the purchase of a complete set of machines, a company can punch its own cards and "farm them out" for the other processes under a specially arranged "service" system.

A simple, ingenious and inexpensive system of card sorting which has many practical applications in connexion with small installations is known as the Paramount sorting system. Cards are slotted with a hand punch in positions indicative of certain prearranged codified information; and by hand manipulation with the aid of a needle, any cards falling in a particular category (and consequently slotted in similar positions) can be very rapidly separated from the remainder. The system is well worthy of investigation in connexion with agency records and statistics.

A machine called a Telewriter has now been developed and consists of a system of linked typewriters operating through the medium of land wires, which enables its subscribers to send typewritten messages to others in the system, with the knowledge that the message typed is immediately and accurately transcribed in the receiving office, a copy being simultaneously produced and recorded at the senders' end.

The possibilities here are far reaching.

ENVELOPE OPENING MACHINE

A considerable amount of time may be saved in opening the morning's post by the use of one of these machines. The process consists of taking a very thin shaving off the top of the envelope. The contents, therefore, can never be cut or damaged, as sometimes happens in the process of cutting by hand. There are two principal

types of machine, a simple and quite inexpensive make which necessitates each envelope being inserted by hand, and a more effective type into which a bundle of envelopes may be placed on the feeding tray, from which they pass one by one under a knife which slices the top edge as in the case of the first-mentioned machine. The whole process of feeding and slicing is effected automatically by the mere turning of a handle. A hundred envelopes a minute can easily be opened in this way. If the safer " double-cut " is desired, that is to say, cutting top and side, the envelopes can easily be passed through again, the double process taking far less time than the single cut by hand.

ENVELOPE SEALING MACHINE

The old method of licking the flaps of envelopes was not only too slow but highly injurious. The more modern plan is that of laying a number of envelopes face downwards, overlapping the flaps so that only the gummed edges are exposed, and then damping them with a brush, which is of course a quicker and more sanitary process. But the use of a sealing machine saves considerable time and is more satisfactory. There are several types of machine, but the general principle consists of placing a bundle of envelopes face downwards, with the flaps also turned down, on the feeding tray. A handle is then turned rapidly, which has the effect of drawing the envelopes forward one by one so that the gummed edges pass over a moistener. After some fifty or so have been passed through in this way and thrown into a receiver, they are bundled together by hand and pressed to complete the sealing. The machine can be quite simply adjusted to take different shapes and sizes of envelopes. Where large numbers of envelopes are involved the machine is certainly worth while, as the rate of sealing is 200 per minute. It may often make just the difference between losing and catching the last post.

FRANKING MACHINE

Machines can be obtained for franking letters or circulars with the necessary postage by a special arrangement with the G.P.O. The latter will set the machine so that it will impress the frank-mark a certain number of times corresponding to the total sum paid in

advance for setting. Where it is necessary to send out several thousand circulars, the separate stamping of each by hand will obviously be a very long and tedious piece of work. In such circumstances and, in fact, in ordinary postage work where the normal mail runs into some hundreds of items daily, the franking machine will be found a great time saver, for its use is simple and its output rapid.

It might be mentioned that the machine will register the number of frank-marks impressed, and so adds to its labour-saving potentiality by eliminating the necessity for entering, balancing and auditing the postage-book, seeing that postage costs are thus automatically recorded.

STAMP AFFIXING MACHINE

This is a very simple and relatively inexpensive machine which saves the postal department some little time and trouble. The machine consists of two parts—the stamp holder and the affixing mechanism ; the former is detachable from the latter. A roll of stamps, which the Post Office will supply for this purpose, is inserted in the holder, which is then attached to the main body of the machine. The envelopes are then sorted according to the stamp values required and each bundle is arranged in a row so that the right-hand edges are exposed. The machine is then depressed rapidly on to each, the internal mechanism drawing the stamp into position from the roll, moistening it, and then affixing it to the envelope. After stamping all those requiring one postage value, the holder is changed for another containing stamps of the next value desired ; and so on for any other values, a separate holder being reserved for each. The machine registers the number of stamps used out of each holder, and thus provides a simple check on the postage-book total. This method of stamping is both rapid and reliable, and relieves pressure when time may be particularly important.

CHEQUE WRITING MACHINE

The importance—or rather, the necessity—of drawing cheques so that they are incapable of alteration is universally admitted. Various machines have been devised with this object in view.

One of the best of these is known as the Protectograph, which combines the functions of writing cheques and rendering them incapable of alteration. It writes in two colours, the amounts in red and the denominations (pounds, shillings, and pence) in black. Each turn of the handle writes a complete word and crushes or " shreds " every letter, forcing the indelible ink completely through the fibres of the paper. The process is extremely simple, as well as safe and rapid, and the general appearance of the cheque is clear and businesslike.

TYPEWRITING MACHINE

It seems, perhaps, hardly necessary to refer to a machine that is probably more used nowadays than all other office machines put together. However, it may be worth while to mention several points in this connection that are not always sufficiently considered or appreciated. Many years' experience of the typewriter has resulted in an eliminative and selective process, by which the inconvenient elements of the machine have been abandoned and the more favourable features have been retained and perfected. A process of evolution has been going on, and, as in the organic world, the " survival of the fittest " has been the dominant factor in development. There has been, therefore, a tendency to standardize the more useful devices. And although perhaps no individual machine possesses every possible convenience or is perfect in every particular, it is now always possible to find a make that will satisfy most of the essentials for practical purposes. The following, then, are the principal desiderata to be kept in mind when considering the purchase of a new machine—

(1) Type-bar principle ; (2) single shift movement ; (3) visible writing ; (4) front upstroke movement of type-bar to printing point ; (5) type-guide ; (6) universal keyboard ; (7) oscillating ribbon as inking device ; (8) two-coloured writing attachment ; (9) neutral position of ribbon for stencil cutting ; (10) automatic ribbon reverse ; (11) tabulator, e.g. (*a*) simple jumper, (*b*) column selector, or (*c*) decimal tabulator ; (12) back spacer ; (13) differential line-spacing ; (14) noise eliminator ; (15) portability.

There are two further aspects to be considered, more particularly from an insurance company's point of view, viz., the wide carriage

for policy-typing and good figures for clear tabulating. With regard to the carriage, it must be borne in mind that the spring for the ordinary sized carriage is not strong enough for the larger one. If the carriages, therefore, are to be interchangeable, it must be seen that the stronger spring is fitted. As regards figures, it is most important that the type should be clearly distinguishable. Most "modern" types are extremely bad for rapid identification, especially if the figures are a little faint or smeared. By way of illustration, there are probably few figures worse than those on some motor-car number plates, where the 2, 3, 5, 6, 8, and 9 require either good eyesight or close inspection to distinguish them from each other. But an element of self-protection may possibly be one of the reasons for this; or it may be simply ignorance. What are called "old style" or "old faced" figures are by far the clearest. The essential characteristics of perfectly clear figures are that the tops of the 6 and 8 should appear above the upper level of the others and the tails of the 3, 5, 7, and 9 should fall below the line.

The growth of general duplicating work has given deserved popularity to a special form of typewriter, known as the Varityper, which, as the name implies, utilizes several different kinds and sizes of type in the one machine. Letters and statements can thus be set up and displayed in a very pleasing manner, and when matter for duplication is being prepared by using the small type—particularly in connexion with statistical returns and the like—a considerable economy can be effected in duplicating time, stationery and stencils.

Another type of machine should perhaps be mentioned, viz., those which have an adding and subtracting device attached. Some makes are capable of typing in bound books or sheets which lie flat on a fixed plate while the typing apparatus moves across the surface. The principle is the reverse of the ordinary typewriter. A series of miniature adding machines of the kind already described in connexion with book-keeping machines is attached to the movable, that is the typing, part of the machine, so that when a figure-key is struck it types the figure on the book or sheet and at the same time connects up with the key of the adding machine, which registers the figure for addition. This machine is often used for cash-book posting where there are a number of columns for various sets of

items. The adding machines are arranged in position for the various columns and the items for each are typed in just as they would be by an ordinary typewriter. The totals at any point can then be read off and either typed in or written in by hand in the various columns. Subtractions can also be performed.

A further use of this machine may be mentioned. By means of the ordinary carbon it is a simple matter to type a cheque, showing name and amount in figures, and by placing the carbon over the cash book the latter will show an exact copy of the cheque, i.e. the payee and amount in its proper column. The remaining particulars of the cheque can be filled in afterwards. For this purpose, however, it is obviously necessary that the type should be of the pin-point puncturing variety, as ordinary typing is not regarded as safe for cheque-writing.

Attachments to typewriters which enable continuous stationery to be employed, thus saving the time normally occupied in feeding separatesheets into the machine, aligning them and so on, are now available for use where a large number of forms of similar kind (e.g. renewal notices and receipts) have to be filled in.

Typewriters are now marketed in which all the power required to operate them is derived from a small electric motor built in to the machine. The slightest touch of the keys is sufficient to bring the motive power into play, and the result is a remarkable evenness of type, operational fatigue is greatly reduced and a very large number of carbon copies can be produced. Not only the type keys, but the carriage return movement and upward spacing is power driven.

PHOTOSTAT

Where the amount of copying work warrants it, the photo copying process can advantageously be employed. The apparatus consists of a large horizontal camera of the bellows type with a prism fitted in front of the lens which enables the original document to be conveniently placed below the level of the lens. Moreover, it rectifies the image, and so the resultant negative which is produced in the first instance is not reversed (i.e. to read from right to left) as in the case of an ordinary photographic negative.

Focusing is simple, and enlargement or reduction can be practised

within limits. The necessary illumination is supplied by mercury-vapour lamps and the sensitized bromide paper is loaded into the camera in daylight in spool form.

After exposure, the paper is guillotined off and fed into a tank contained in the machine which develops it, and fixation, washing and drying are then successively carried out. No dark room is necessary and the process is essentially simple throughout.

The first impression taken gives a readable negative (i.e. white type on black paper) which is all that is required in many cases for record purposes, but when a positive image is needed, the negative so obtained must be re-photographed.

The value of this apparatus in connexion with the duplication of important and complicated documents will be apparent. The accuracy of the copies, down to the smallest detail, cannot very well be doubted, and the necessity for checking is thus eliminated. It is extensively used at Somerset House for the supply to the public of copies of wills and similar documents, and at least one insurance company has adopted the practice of attaching to each policy it issues a photostatic copy, in miniature, of the proposal which forms the basis of the contract.

DICTATING MACHINE

In certain circumstances dictating machines can advantageously be employed, particularly in connexion with general correspondence where the typing work of the office is centralized—wholly or in part—under one control.

The essential apparatus consists of a dictating machine, a reproducing machine and a cylinder shaving machine.

The dictating machine uses a grooved wax cylinder of the phonograph type, which is slipped on to a revolving carriage, electrically driven, and the vibrations set in motion by the dictator's voice are recorded thereon in the manner familiar to all gramophone users. The words to be dictated are spoken into a mouthpiece at the end of a flexible tube, which is held close to the lips by the person dictating. By operating a button switch embodied in the grip, the user can put the machine temporarily out of action when he pauses in dictation, either through interruption or whilst thoughts are being marshalled. Corrections are made by indicating on a special card

or slip the stage in the recorded dictation at which the spoken matter has to be revised, and so the typist is forewarned as to amendments to be embodied. At any time, the dictator can "listen back" to his own dictation: he is not limited as to the speed of his dictation (which the typist can slow down at will when transcribing) and the whole of the dictating apparatus can stand on a small side table or on a corner of the dictator's desk.

The transcribing apparatus is similar in general principle, the main difference being, of course, that it is provided with some form of earphone instead of a dictating mouthpiece. The typist can revolve and stop the cylinder at will, thus enabling her to listen to a few words at a time and so, in effect, to type concurrently with the dictation from the cylinder.

The shaving machine, by removing a minute thickness of wax from the grooves after the dictated matter has been typed, prepares the cylinder for re-use. Cylinders can be shaved over 100 times and each is therefore capable of recording say, 100/200,000 words according to dictating speed.

OTHER OFFICE MACHINES

There are many other kinds of time-saving machines used in modern business, among which are the paper-folding machine, date-stamp for letters, paper fastener, numbering machine, stamp perforator, parcel sealer, parcel-labeller, stamp moistener, etc.

It is very common to find considerable prejudice against the introduction of new types of machine. Unfortunately there is a tendency for people, both young and old, to prefer methods to which they have been accustomed. An unsatisfactory report on the value of a new machine must rarely be regarded as sufficient justification for discontinuing its use without exhaustive trial. On the other hand, a new type of machine should never be introduced without the most careful consideration as to whether it will effect a real economy of time, effort, or material.

GENERAL CONSIDERATIONS

The whole subject is one of great interest. There can be no question that the day of manual work is rapidly passing—the junior clerk of the future will not have to suffer years of drudgery in writing

renewal notices and such like, as his seniors did. In this he has nothing to regret; the old theory that these years of drudgery provide a wonderful training has long since been exploded. We had too much to do and too little time to do it in ever to learn anything about insurance from these uninteresting tasks—it was a question of hard slogging. At the same time there is little ground for the pessimistic statement that this introduction of machinery will tend to reduce the number of men that will be required in the business. Insurance possesses great possibilities—there are still vast territories to be explored. The largest branch of insurance—the accident branch—has shown remarkable expansion within the last two generations. Merely because insurance has shown such wonderful growth there is no reason why it should be thought that it has come to the end of the road. Accident insurance is steadily extending over the world, and before long aviation insurance may be proving a serious rival to some of the older sections. Mechanization simply means the introduction of modern methods—the elimination of antiquated and wasteful systems and the opening of the gates to better and bigger things.

CHAPTER VI

OFFICE ORGANIZATION

ONE of the most important factors in successful business is the organization of labour to the best advantage. In most industrial and commercial undertakings labour is by far the most expensive item. This is more particularly so in connection with businesses concerned with what may be called " immaterial " wealth, such as insurance, banking, and finance companies. Here the payment for services rendered, such as salaries and commissions, forms a very high percentage of the working costs. An economic organization of the staff is, therefore, a matter of vital importance and one that needs the most careful thought and mature experience. In short, sound staff organization is the foundation of sound business. It is the scientific combination of economic and psychological principles and their application to the science of business. It is, in fact, " Applied Common Sense," and its specific aim is maximum efficiency with the minimum expenditure of time, effort, and material.

A full discussion of the subject cannot, of course, be attempted. Only a general outline of the main principles can be given here.

SPECIALIZATION

It has been said that " division of labour implies economy of labour." This is probably true up to a certain point, but a too rigid application of the formula may in some circumstances result in inefficiency. Specialization in manual labour, subject to favourable working conditions, will generally increase dexterity, speed and accuracy. But in the case of many individuals the strain of long periods of repetitive or purely mechanical duties will prove not only deleterious to health, but prejudicial to efficient and accurate work. This is probably more noticeable in clerical than in manual labour. Where the exigencies of office routine necessitate the performance of long spells of monotonous work, care must be taken to guard against the consequences of " staleness," with its resulting tendency to mistakes. This can, of course, be obviated by occasional short

rest-intervals or slight changes of work. Where possible, work of this description should be done by machinery in order to reduce the risk of error to a minimum. But even the continuous use of machines for too long a period results in harmful consequences to the individual and, unless occasional relief is afforded, staleness and mistakes will result, quite apart from the evils of mental stagnation of the workers. There are, of course, many people whose mentality is such that purely mechanical work is their true element, and they can continue indefinitely without fatigue. If the quantity and quality of their work remains satisfactory, and there is good reason to believe that they would be incapable of undertaking work requiring more intelligence or judgment, it would probably be unwise and undesirable to make any change. But in the interests of sound organization and business efficiency, the capacities and capabilities of workers should be frequently sounded and tested with a view to giving them opportunities of specializing in the work to which they are best suited, thus promoting their usefulness to the greatest advantage of the business.

There are, of course, cases of middle-aged clerks still engaged on purely routine duties involving but little responsibility or discretion. With many of these the cause is lack of ambition or capacity; with others it is the result of exceptional circumstances; and there must be cases of a short-sighted or even visionless management which has either failed to discern potentialities or refused to offer those opportunities and training which are so essential to the development of efficiency. It is, however, true that clerks in this category who do their work well are assets to the business. If they perform their simple duties with rapidity and accuracy, their worth becomes recognized and they may be really difficult to replace. But, on the other hand, many of them, if they had been given suitable opportunities in the past, might have specialized to much better purpose; and to this extent the business is a definite loser.

A more difficult problem is the case of the half-skilled worker, who fails to become proficient either in routine work or in work requiring a certain measure of intelligence. He is the not uncommon type that can do several things indifferently but nothing really well. As he has failed to specialize, his actual value is problematical.

He is not bad enough to warrant dismissal, but not good enough to justify confidence when emergency arises. He may have been given opportunities. He may have been encouraged to specialize; but he has probably been either unwilling or unable to do so. Such cases can only be regarded and treated as comparative failures. Business has no place for the untrainable. There is, however, a general demand for the worker who is capable of becoming efficient in simple routine work, even though he cannot go much farther. In many businesses these considerably outnumber the expert. And it is one of the most delicate problems of staff organization to ascertain what proportion of expert to routine workers will produce the most efficient and economic working.

STAFFING

Redundancy or inadequacy of staff is a matter that requires close and constant attention. The latter condition is probably the more common, but both are uneconomic. A continuously overworked staff, whether it is paid for overtime or not, is a constant source of danger. Nerve strain, ill-health and staleness are the inevitable results, and an epidemic of mistakes and generally inefficient work will follow in due course. Failure to recognize the symptoms and their cause, and refusal to apply the obvious remedy in time, will surely prove a costly affair in the end. But quite apart from the cost, the condition is an indication of unsound organization, which will seriously reflect on the management and so injure the company's reputation.

The question of redundancy of staff is a rather more difficult problem. Redundancy is often difficult to detect. Slackening of business may be gradual, almost imperceptible; and coincident with this there will be an automatic slowing-down in the speed of work. Everybody will be apparently fully occupied all day, though actually working well below full pressure. It is only by means of careful supervision, or keeping statistical charts showing the weekly records of work in the different departments, that the condition of redundancy can be detected. But the remedy is often more unpleasant than the complaint. The business probably cannot stand the strain of full pay for half-speed work—at least, not for long. One of the first steps to be taken is to slow down the rate of recruitment.

Another possibility is to employ the redundant staff on some reorganization of system or the introduction of some new methods, which, though not immediately essential, may ultimately prove beneficial to the business. Redundancy can more easily be corrected when the company has adopted a staffing policy such as that outlined in the following section.

FEMALE STAFF

The policy of employing a substantial percentage of female clerks is one that has received a good deal of attention in recent years. The adoption of this course has been attended by a very fair measure of success, and it certainly possesses many advantages. In most businesses there is often a considerable amount of routine work that can be satisfactorily performed by a relatively untrained staff. It is obviously uneconomical for such work to be done at a high rate of cost, as would necessarily be the case in the employment of men of long service and with steadily increasing salaries. Work of this kind can be quite efficiently done by girls without special training, and provided they have been moderately educated, they generally have the capacity of learning more quickly than boys of the same age. Moreover, the circumstances of the case render them eminently suitable for such work. As the average duration of a girl's business career probably does not exceed nine years, the wastage of acquired experience is comparatively small; and in view of the nature of the work, replacement can be effected with a minimum of inconvenience and dislocation of organization. And further, where the staff is liable to suffer occasional temporary reduction on account of slackness of business, adjustments can be effected by non-replacement.

It is probably quite unnecessary to state, however, that many female clerks are capable of becoming most valuable members of the permanent staff, and of filling positions of trust and responsibility that require considerable experience, skill and judgment. In the interests of efficient business organization, therefore, they should always be afforded the same opportunities and encouragements as the male staff. And where marked ability or proficiency is shown, they should be suitably remunerated, and should never be denied promotion merely on grounds of sex.

ALLOCATION

When considering the capacity of workers, it must be clearly borne in mind that employer and employed are not different and distinct species of humanity. The difference is not one of kind, but of degree, however considerable. There is, in effect, only a question of the number of gradations between the youngest employee and the managing director.

It is always possible to find, either inside or outside the business, someone who is capable of undertaking any class of work. The question of cost is perhaps the least difficult part of the problem. The most difficult is the finding of the right individual for the particular kind of work, or the allocation of work to the individuals who can perform it best.

The capacities and qualifications of the staff must therefore be carefully reviewed and tested. And this procedure must be constantly pursued, as changes and developments are continually occurring, both in the capabilities of the staff and in the nature of the work. " The right man for the job " is a business ideal which is not too easy of attainment. But no time or trouble should be spared in the endeavour to secure this end, as it is vital to business efficiency. It is obvious that the employment of an individual on work for which he is unsuited not only results in the work being unsatisfactorily carried out, but there is probably a wastage of qualifications which might be otherwise profitably employed.

As the utilization of human material to the greatest advantage is, therefore, an economic necessity, the constant supervision of the staff and their work is an essential duty, and no management can afford to relax its efforts in this direction. All promising experiments should be perseveringly tried, and perhaps not the least of these is giving due consideration to requests of individual members of the staff for change of work. It frequently happens that their choice is their forte, and the desired change may prove as beneficial to the business as it is congenial to the individual.

STAFF DISPOSITION

The territorial disposition of the staff is a matter of considerable importance and one that requires much forethought and careful planning. Ill-considered seating arrangements will inevitably result

in a large amount of wasted time and energy, through the staff having to traverse unnecessary distances in the ordinary course of their duties. As far as practicable, therefore, those whose duties interlap should be near each other. And the same remarks that apply to individuals also apply to the arrangement of departments. Their disposition should be such that those between which the greatest amount of intercommunication arises should be in the closest proximity. And further, the departments most concerned with dealing with the public, e.g. cashiers, new business, etc., must be located either at or near the general counter. Similarly, the private rooms of one or more of the principal officials should not be too far distant from the public entrance. In short, all wasteful or unnecessary movements should be eliminated as far as practicable, as these may mount up in the course of a year to a very large number of valuable hours. Again, the typing department should not be located in the general office. Unless the noiseless type of machine is used, the noise of the machines is very disturbing to the rest of the staff. But on general grounds it is desirable that this department, as well as the telephone switchboard, should be entirely isolated from the general office. The same remarks apply to any department where large amounts of calling over have to be done.

DISTRIBUTION OF WORK

It is not always an easy matter to ensure that work is not only allocated to the best advantage according to the various capabilities of the staff, but that it is also evenly and equitably distributed. When work is slackening, there is, of course, a natural and almost automatic tendency for the staff to " slow down," and thus perhaps spread five or six hours' work over a seven-hour day. Without careful personal supervision, or systematic observation, gradual tendencies are difficult to detect. And it may easily happen that certain departments are working at very high pressure—possibly on overtime, which is generally uneconomic—while other departments are working considerably below their normal capacity.

But an even distribution of work in the case of a large staff is an ideal that is not always easy to attain. A sound system of supervision, however, worked with a proper sense of co-operation, will go far to remove the evils of uneven distribution. The main

responsibility, of course, falls upon the heads of departments. It is their primary duty to keep such records and statistics that they may be able, with the minimum of trouble, to compare the current work of their departments with the normal working capacity of their staff. Variations in either direction, unless they are practically negligible, should be at once reported to the management. The latter can then decide what temporary transfers may be desirable and, if none, which of the following four courses should be adopted in view of existing circumstances and tendencies—

(i) Putting one or more departments on overtime.

(ii) Increasing the existing staff either by temporary or by permanent additions.

(iii) Slowing down the rate of recruiting.

(iv) Employing the surplus staff on changes or improvements which it may have been hitherto impracticable to carry out.

It is probably quite safe to say that a staff working for any length of time below its capacity is very nearly as injurious, or at least as demoralizing, as long-continued overtime or work at high pressure. Both extremes are expensive and economically unsound.

DEPARTMENTAL SYSTEM

Except in the case of a small staff where arrangement in self-contained departments is often impracticable, the principle of division of labour is carried a step farther under the departmental system. The grouping of the most suitable individuals for the execution of certain sections of work is clearly desirable since it produces, in effect, group-specialization. It is true that the experience and outlook of the individuals concerned are narrowed, but even in a department engaged in the most routine type of duties there is usually a certain amount of variation as well as scope and opportunity for those who wish to gain proficiency and increase their usefulness. This can generally be effected by the adoption of the valuable practice of interchangeability in and between departments, thus providing further opportunities for more advantageous specialization. The evils of the "rut" can, moreover, be obviated by a watchful and resourceful departmental chief, who will take the trouble to consider at the same time the particular interests of his staff and the general interests of the

business. The dangers of becoming parochial are very real, and parochialism does not make for general efficiency. Against the advantages of being self-contained and self-sufficient must be set the disadvantages arising from a spirit of detachment, which militates against co-operation through the tendency to regard the department as an independent wheel instead of a cog in the main wheel. If any particular reorganization should prove necessary for the general benefit of the business as a whole, a competent departmental chief will immediately recognize the fact and co-operate to his utmost in carrying through the changes, even though it may cause considerable inconvenience and temporary disorganization of the work and systems in his department. The same spirit should also pervade his staff, and it is his first and continuous duty to inculcate in them that *esprit de corps* and spirit of "team-work" which are such vital necessities to the smooth and efficient working of the business. That invaluable, though indefinite and indefinable, quality of "team-work" is indeed as indispensable in the office as it is on the football field. But it can hardly exist, and can never develop to any appreciable extent, in the staff as a whole if both precept and example are absent from the characters of the more responsible members of the staff. A sound discrimination in the selection and appointment of heads of departments is, therefore, a matter of primary importance to the welfare of the business.

It is, perhaps, needless to point out that the qualities of all in authority should include a due consideration for the human factor in organization, and failure to appreciate this has often vitiated the most theoretically perfect systems. It is not sufficient merely to recognize and make due allowances for the human element in the abstract, with its inherent defects; but it is essential to regard the human individual *as such*, if it is hoped to utilize the human element to the best advantage. To regard the staff as machines and at the same time to treat them with less consideration than machines, is as unsound and illogical as it is inhuman. Personality must be recognized, and if properly considered and utilized it will prove a valuable asset.

Although this question has been treated mainly from the economic and utilitarian standpoint, the moral aspect cannot be ignored. A company's reputation may rise or fall, not only according

to its business methods, but also in regard to the manner in which it views and treats its staff. For in addition to the strictures of public opinion, which cannot nowadays be left out of account, the loyalty and efficiency of the staff largely depend on the attitude of the management towards its human side.

LIAISON

To keep in touch with one another would seem to be the simplest possible thing to do for various departments which are housed under one roof and form part of one organization; and yet we know it is not so. With the best will in the world it does sometimes happen that one department forgets to advise another of something that affects that other department. It deals with a matter that arises without consulting other departments, failing to realize those others have an interest in the matter. For this sort of thing there seems to be no sovereign remedy. Probably the most common cause of the trouble is doing things in too great a hurry. Rushing things through generally means that some important point is forgotten.

This is probably not going to the root of the matter, for a close co-operation between every one for the common good (and that is what a liaison aims at) must, if it is to be effective, start at the top—it will then permeate throughout the Office. It is not an easy matter to provide for. Executives are usually very busy men and the task of going round to them all and submitting a new idea, collecting their objections and suggestions and then resubmitting the revised scheme is a task which is difficult to perform.

The ideal way would be to have a regular meeting of the Executive when anything could be collectively considered and an opinion taken. This is very commonly put into practice at an Executive luncheon. All the Executive lunch together and talk shop to the exclusion more or less of other matters. This fulfils all the purposes of a conference though it is a little unkind to such a hard-working body of men that they should not be allowed even the respite from their labours that a meal should provide.

If this spirit prevails among the Executive it will spread throughout the staff. Much can be done by instituting systems whereby information is circulated, but it is a matter which cannot depend upon systems—it is the personal factor which counts. The point

was well put by one accident manager. In his office the underwriting and the claims were separate departments. He described his job as being merely the link between the two. The tendency was always for each to act independently—they were too busy to collaborate. His job was just to join up—the ideal liaison officer.

INTERCHANGEABILITY

The evils of retaining an individual too long on the same work are possibly too obvious to require much emphasizing. To allow people to " get into a groove " is a fault which many condemn but few endeavour to correct. Of course, if opportunities are offered and not accepted, or if different work is given and only indifferently performed, it is probable that the person concerned is fitted only for a groove and can never rise above mediocrity. But it probably more frequently happens that suitable opportunities are not sufficiently afforded to intelligent and enterprising workers. This is often due to the fact that they are doing their present work so satisfactorily. The temptation to leave things as they are is considerable. All changes are necessarily disturbing. And so the easier course is often adopted in order to save the temporary inconvenience arising from a change. But interchangeability is very desirable on many grounds. Not only will the staff thus gain a wider experience and outlook, but their adaptability and general usefulness will be increased. Moreover, their ability and capacity will be sounded and tested, and the information thus furnished will be invaluable to the management at times of emergency or when questions of staff reorganization arise. Interchangeability also provides the most effective means of training deputies or substitutes. In fact, it is only in this way that a staff as a whole can become really efficient, and that positions can be satisfactorily filled when they become vacant through the death, retirement, or resignation of their occupants. It is true, of course, that such vacancies might be filled from outside, but such course is generally undesirable as well as unnecessary if the staff organization has been planned and developed on sound lines. The appointment of an outsider is a source of great discouragement to the staff, and the effects on their hopes and aspirations would deaden their keenness

and enterprise and thereby impair their efficiency. On the other hand, an appointment from inside would not only operate as a stimulus to the individual to justify his promotion, but it would also act as a definite encouragement to the whole staff to hope for similar advancement as the just reward of merit.

DEPUTIZING

The need for an efficient deputy in every department of work is probably sufficiently obvious to require but little elaboration. In the event of holidays, illness, death, or retirement, it is essential that there should be a competent understudy who can immediately fill the part.

It happens not infrequently, especially in the case of half-educated or otherwise small-minded individuals, that they imagine that their position is endangered by allowing anyone to learn their work. They think it depreciates their value. On the other hand, they believe they are indispensable so long as they can keep the particular secrets of their jobs securely locked up in their own heads. When they take their annual leave, therefore, they give their deputy as little help and information as they possibly can. And when they return they are secretly annoyed that their absence has caused so little disturbance. It is perhaps quite unnecessary to emphasize that such a childish and unbusinesslike attitude must be discountenanced whenever it comes to light.

The problem of effective deputizing will be partially solved by the discriminating application of the principle of interchangeability, a subject which is dealt with fully in another section. The adoption of this system, with proper judgment, will almost automatically evolve the most suitable deputies to those responsible for the various types of work. The application of the principle must, of course, be universal; and there should never be any post that is not definitely and completely understudied, preferably twice over. And it should, moreover, be accounted to the special credit of the individual whose deputy can take over his work at a moment's notice with equal efficiency. A capable man will never be afraid of his deputy. He will never be passed over merely because someone else can do his work. On the contrary, it will rather expedite, and certainly facilitate, his promotion.

STAFF HOURS

The question of the number of working hours per week can only be properly considered when taken in relation to the other working conditions prevailing in the particular company. There is little doubt that the number of working hours per week has fallen substantially during the past half-century, and this tendency has not been confined to manual labour. But although the working hours of clerical staffs have generally lessened, except where the uneconomic consequences of unduly long hours are not yet fully appreciated, there is probably a tendency to higher-pressure working. It is, therefore, quite a debatable question whether long hours at low pressure may not be a sounder working basis than shorter hours at high pressure. In any case, hours and pressure must be considered together. It is probable, under modern conditions, that a middle course will produce the most satisfactory results. A week of perhaps 35 working hours at a moderate pressure would, therefore, seem likely to prove a sound working standard. But, as already stated, it is essential to give due weight to the working conditions generally, such as the length of the luncheon and tea intervals, summer holidays, free Saturdays, and any other special privileges. The type of work, too, must not be overlooked.

The relation between hours and salaries must also be borne in mind. In less enlightened times this was sometimes ignored, and it was unfortunately not uncommon to find low pay, long hours and high pressure prevailing together. Such a combination of wholly unfavourable conditions was a violation of both equitable and economic principles. And it not only tended to develop an unhealthy, and consequently inefficient, staff, but it was also responsible for much discontent and unrest in industry.

HOLIDAYS

Regarded from the purely business standpoint, holidays are granted with the object of permitting recuperation, and thus enabling the staff to recover their full working capacity. In effect, holidays are the antidote to the inevitable consequences of staleness, which invariably produces indifferent work. They should, therefore, be arranged so that the maximum benefit may be ensured. In order that their object may not be defeated, it is

consequently necessary that holidays should be of adequate length and given, as far as possible, during the most beneficial time of year.

Although well-managed companies generally arrange for the members of their staff to take their holidays during the spring, summer, or early autumn, there is a good deal to be said for a week's holiday in the winter, that is, of course, only in cases where at least three weeks' holiday is normally granted. The results of this practice have been found very beneficial, as it affords a rest at a time when energy is beginning to flag and vitality needs a tonic. After six months of continuous hard work, efficiency frequently tends to deteriorate, and a short holiday will generally restore it.

The tendency, nowadays, to grant longer holidays may therefore be economically sound. The quality of the work and the general working conditions must, of course, be taken into consideration, but in most cases it is probable that a fortnight's holiday is barely sufficient for a full recuperation to take place. An additional two or three days, or even a week, may really cost the employer little or nothing, while on the other hand, considerable saving may actually be effected by the improved health of the staff.

RECOGNITION OF MERIT

An important principle of sound organization is a due recognition of merit. This necessitates a careful supervision of work and general observation of the various workers. Wherever special merit is discerned, promotion to better or more responsible work should be given as soon as practicable, and this should be rewarded in due course by a suitable increase in remuneration. Failure to offer encouragement or inducement to "get on" produces a sense of hopelessness, which is essentially detrimental to increasing efficiency. On the other hand, where the system of organization is such that good positions can be obtained by merit, the whole atmosphere of the business becomes invigorating, and a healthy emulation among the staff is the natural consequence.

Unless the selection and training of the staff has been left in wholly incompetent hands, there will always be found a good percentage of potentially valuable material capable of being used to ultimate advantage. If opportunities are not afforded and merit is not properly recognized, the most enterprising and probably the most

promising members of the staff will sooner or later obtain posts elsewhere. This will not only mean the loss of a trained and experienced worker, but the time spent on his training will be wasted and further time must be expended in training another worker to take his place.

CHAPTER VII

OFFICE MANAGEMENT

THE problems of staff management are in many ways so closely bound up with the principles of staff organization that a certain amount of repetition or overlapping is almost inevitable. The broad lines of distinction, however, may be briefly stated. Staff organization is mainly concerned with the problems of arranging the work so that it may be effectively, accurately and expeditiously carried out by the staff with the maximum economy of time and effort. The problem is essentially an economic one. Staff management, on the other hand, is rather a psychological study, dealing with human personalities rather than mechanical systems or economic laws. It is, however, an important branch of organization, which, if properly handled, will prove a valuable means of promoting efficiency and thereby economy. On the other hand, indifferently handled, the consequences may be disastrous.

Staff management, then, consists of the effective control of the staff, and their educational training and adaptation to a particular end. The problem thus resolves itself into the discovery and application of general rules or principles that may be applied with the maximum benefit to the work and the minimum repression of the individual. And although efficiency is the first consideration, it is seldom that its attainment is incompatible with a humane consideration for the staff. In fact, within certain reasonable limits, the latter will definitely promote the former.

There are, however, unprincipled individuals who fail to respond to decent consideration and favourable working conditions. On the contrary, they take advantage of them. Such dispositions may be either hereditary or acquired. In either case the blame may attach to the management; the individual, perhaps, should never have been appointed; but having been appointed, the system of training and the rules of discipline should have eradicated the fault. A man without principle has no place on any staff.

But there is no justification for abandoning satisfactory working conditions for the many merely because they are abused by the

few. A certain amount of "tightening up" of discipline may sometimes be necessary. But it is better to make an example by dealing rigorously, or even radically, with those occasional offenders who are either too stupid or too unsportsmanlike to behave conscientiously except under the stress of a harsh and rigid discipline.

Such cases, however, form but a small percentage of a well-selected and well-trained staff. The importance of careful selection and training cannot, therefore, be over-emphasized. For thereby the difficulties of staff management, discipline and control are reduced to a minimum, and the solution of the problem of efficiency is greatly simplified.

APPOINTMENTS

From what has already been said it will be clear that the selection of candidates for posts in an office is one of the most important duties of the management. Its consequences are far-reaching; for a company's efficiency in the future will depend largely on the present choice of its staff. Experience and insight are consequently necessary for this purpose; but if these qualifications are lacking, the following general procedure may assist the staff manager in making a sound selection.

An examination of a more or less routine character is usually desirable, but a personal interview is in all cases essential. It is possible to obtain far more vital and practical information from the study of a candidate's personality than from a paper exposition of his mental equipment. The practice of making an appointment on the basis of the latter alone, or merely on the strength of an influential nomination, is radically unsound, and probably responsible for many "square pegs."

But whether a formal written examination in specified subjects is or is not required, the following particulars of a candidate should at least be obtained, preferably on paper for purposes of comparison and future record. The most convenient method is to have a printed set of questions for this purpose; and the form should be completed in the presence of the official responsible for interviewing or appointing candidates.

1. *Full Name and Address.*
2. *Name, Address, and Occupation of Father.* This information

is often useful as an indication of the type of candidate and the social standing of his family.

3. *Date of Birth.* The age for appointment varies considerably in different companies. The range is generally from 17 to 19 years of age. A candidate who has left school before 17 is barely educated and is, therefore, often incapable of rising above mediocrity, unless, of course, he is prepared to devote himself sedulously to self education or specialized training in his spare time.

There is, however, a certain body of opinion that maintains that the best age for commencing a business career is 16. It is contended that at this impressionable age business methods can be more readily and effectively instilled. Moreover, it is pointed out that many of the most successful business men commenced their careers in their early teens. This may be true. But it is obviously unsound to draw general conclusions from a few particular cases. A comparison of the percentage of outstanding successes arising from the 15–16 class with those occurring in the 17–19 class will effectively dispose of this fallacy.

As a matter of practical experience, however, it is generally found that members of the 15–16 class attain a measure of efficiency sooner than those of the 17–19 class. Therefore, having regard merely to the early years of training, there seems to be a prima facie case for employing the former. But after a few years we find that they have usually been overtaken and passed by those who have enjoyed a more liberal education. And whereas the latter develop a grasp and show a capacity that fit them for better and more responsible duties, the former are more frequently incapable of rising above a fairly efficient mediocrity.

4. *State of Health and Eyesight.* Preliminary information on these points should generally be obtained, although a thorough medical examination by the company's medical officer will be necessary before appointment.

5. *Education and Examinations.* Full particulars in these connexions are essential, because the type and term of a candidate's education will usually determine his ultimate capacity and value. The names of the schools he has attended and the date of leaving in each case should be obtained. Questions in this connexion should be carefully followed up ; and, in addition, inquiry should

be made as to any school subjects in which the candidate showed special interest or merit. It may also be of value to ascertain whether the candidate completed his school career on the classical or on the modern side. There are, of course, many posts in every sphere of business where a classical education will produce a more valuable type of man than a modern one.

The insurance business has also been able to make use of boys who, after their elementary education has been completed, have had instruction at a commercial college or training school. A purely commercial education, of course, has its distinctive merits. But if it has been pursued too much at the expense of general education, its value will not show to the best advantage. After all, education is not cramming heads with facts, but training minds for thought. A properly trained mind can rapidly absorb facts and methods, as and when required. Moreover, it can originate, and reason clearly and quickly. A commercial education may possibly produce a certain business efficiency similar to that of a modern education at a public or good secondary school. But the main point is as to whether the liberal education is starved for the benefit of the commercial. If so, the loss of tone and culture will far outweigh the gain of an initial business aptitude. In any case, the latter can be rapidly acquired in a company where the staff training is competently handled.

6. *Qualifications.* It is clearly desirable to obtain information with regard to any special qualifications that the candidate may possess, such as shorthand, typewriting, book-keeping, etc. These may or may not be of any value in connexion with the particular post required to be filled ; but the qualifications may be noted for purposes of reference. Or, if the candidate possesses some particularly valuable qualification, a slight re-arrangement of the existing staff might provide for his immediate engagement. It is often sound policy to seize opportunities of this kind if they offer themselves.

7. *Experience.* In cases where the candidate has been, or is still, employed elsewhere, full particulars should be elicited as to—

(i) Name and address of employers.
(ii) Nature of the business.
(iii) Type of duties performed.

(iv) Reason for leaving or wishing to leave.
(v) Length of service.
(vi) Salary and office hours.
(vii) Length of notice required.

8. *References*. The names, addresses, and professions of two references (not relatives) should be asked for. The type of reference given is often significant or instructive. They are generally perfectly valueless. But whether it is worth while or necessary to follow up any of them will depend upon the particular circumstances in individual cases. Referees are apparently incapable of looking on the dark side of a candidate. Introduction through a trustworthy source is the best type of reference.

9. *Whether Living with Relatives*. If not, particulars should be given. It is usually considered desirable for young people commencing their business career to live in a proper home, where they can be suitably looked after. Habits, especially bad ones, may be too easily acquired. Generally speaking, living in lodgings is rather a point against a young candidate. There are, however, many excellent hostels where young men can live safely and comfortably at reasonable cost.

A good deal of valuable information may be derived from the rapidity and style in which the form of application is completed. For instance, certain questions may be left wholly unanswered, or answered unintelligently or evasively.

Further questions—relevant or otherwise, for it does not matter for this purpose—should be asked orally with a view to determining the candidate's general intelligence, address, and alertness. But certain allowances must generally be made for natural nervousness.

It is the practice of some companies to employ a regular " Intelligence Test " in the selection of candidates. This consists of a series of short examination papers specially designed for the purpose. No writing is generally required; two or more possible answers are printed against each question and the candidate has to underline the answer he considers right or best. The tests usually include (i) carrying out instructions, (ii) selecting reasons, (iii) completing sentences, (iv) simple reasoning, and so forth. The instructions or questions are perfectly simple, but the time allowed is short. Psychological experiment has definitely proved that a quick grasp,

coupled with rapid and valid reasoning, even in the case of easy problems, is reliable evidence of a sound intelligence. Standard marks or " norms " may be obtained by trying the tests on the more intelligent members of the existing junior staff.

A short and simple figure test should also be given. This might consist merely of copying out a short column of figures on unruled paper. When the candidate has completed it—the time occupied should be noted—he should be asked to call back his figures and then add them. This simple test will bring out the following points—

(i) Character and neatness of figures.

(ii) Straight columnizing for adding.

(iii) Accuracy and rapidity in copying, calling back, and adding.

The character of the writing will also be carefully noted. Writing is unfortunately seldom taught in schools. In fact, little attention is ever paid to it. And the English public and secondary schools are the worst offenders in this connexion. Many candidates, with otherwise excellent qualifications, have to be rejected merely because they have never been taught to write. Even where the writing has a certain amount of character, it is frequently almost illegible and therefore quite unsuitable or impossible for book work ; while, in other cases, the writing may be legible enough, but so utterly unformed and characterless that the management would be ashamed to allow it to be seen on any form or envelope sent to clients. Figures, too, are quite as often neglected, with even more disastrous results.

With regard to the individuality of the candidate, his general appearance, manner, bearing and personality must all be carefully studied. His " tone " and address must not be overlooked. Much may be learnt in this connexion by casual, even irrelevant, conversation. His views in the course of the conversation and his ability to express them clearly will often give some indication of his character and personality, as well as evidence of his intelligence and alertness.

It is desirable, too, to endeavour to visualize his possibilities or potentialities, how he would impress clients at the counter ; how he might shape as a " field " man ; how he would shoulder responsibility, or whether he would try to shift the difficult jobs ; whether he is likely to make his work his profession ; whether he belongs

to that useless type of worker who " downs tools " on the tick of time ; or whether he is one who " believes in work."

Having interviewed the various candidates and selected the one who is the most satisfactory in the directions above mentioned, it is customary to appoint him on probation for a period of, say, six months. By the end of this time, it is usually possible to form a fairly sound estimate of his capability and whether he is likely to become a useful member of the permanent staff. Should there be any doubt on this point, a further period of probation may be necessary. But it sometimes happens that, in spite of the most careful preliminary tests or subsequent timely warnings, the probationer is found unlikely to become an efficient member of the staff. In such unfortunate circumstances, it will be necessary to give him the opportunity of tendering his resignation. Generally speaking, this course is to be recommended in preference to a definite dismissal. But this line of action should seldom be necessary if proper care is taken in selection and early training.

STAFF TRAINING

One of the most important items in staff management is a general scheme for increasing the efficiency of the staff by means of effective training.

The first essential step is to create the right atmosphere. It is therefore desirable to prevent the staff from obtaining the impression that they are mere " hands." Conscientious and efficient work is impossible where people are treated as if they were irresponsible automatons. The rigid regulations of the factory are generally inapplicable to the office for the obvious reason that the nature of the work is entirely different. Rules are clearly necessary, but the minimum code should be adopted, and their necessity and reasonableness should be fully explained.

The next step is to arrange a programme for each trainee. It should be designed to give him an insight into the work of the whole office. Of necessity he will have to perform some routine duties during the first few years, but these should not take up so much time as to prevent him from learning the business. His work in each department should be directed and supervised by men who are well aware of, and in sympathy with, the company's training scheme,

and whose periodical reports can be relied on by the staff trainer. As he progresses, the trainee should be entrusted with a measure of responsibility wherever practicable. This is a sign of confidence, and there is no greater stimulus to conscientious and efficient work. The usual routine of supervising and checking must be carried out as a matter of course, but unless this is entrusted to tactless, and therefore incompetent, persons, there is no reason why this necessary business procedure should be regarded as detracting from the responsibility imposed.

The method and manner of teaching and supervising are probably the most important factors in staff-training. Although the duties of the staff trainer and the supervisor are really distinct, a practical co-operation and understanding between them is essential in order to maintain a uniform system of training throughout the company's staff. It cannot be too forcibly emphasized that these highly responsible duties should never be left in young and inexperienced hands. Patience, tact, and a specialized experience are essential qualities for the work of both training and supervising.

With regard to the actual details of departmental training, the first step is to explain briefly the particular nature of the work, its relation to the other work in the department, and the connexion of the latter with the business as a whole. The next step is to show the detailed procedure in practice, pointing out any exceptions or special difficulties, and suggesting that notes of these should be made for subsequent reference, if necessary. Finally, the beginner should attempt to work a little on his own account but under close supervision, which is gradually relaxed until it is clear that he can work alone with safety. He should be urged, however, never to hesitate to ask questions on any point that he cannot fully understand. And such questions should always be answered with patience and painstaking care. Impatient or hurried explanations are often not only confusing, and therefore dangerous, but they generally waste more time in the end. A little tuition on the subject of general business principles and practice is also desirable in the early stages of training. There is always a best way of doing things, and this should be learned as soon as possible. Early attention even to minute details will be well worth the initial expenditure of time and trouble. Not only is time lost by not doing things in the best and

quickest way in the first place, but further time is lost in ultimately learning the latter.

Although the general question of supervision is more fully dealt with in another section, a brief reference may be made to it here in so far as it touches the subject of staff training. Supervision is principally concerned with the quality and quantity of the office work and the general discipline of the staff. But to a certain extent the supervisor carries on the duties of the trainer, and therefore, as already mentioned, the methods of the former should be in harmony with those of the latter in order to maintain the principle of consistency and continuity. It is not, of course, usual in the case of a clerical staff for training or supervising to be whole-time jobs, though they would probably be more efficacious if they were so. A man who has other duties besides staff training may be too busy to go into it thoroughly. Such a person, for instance, will discover a mistake or find a fault, but will not attempt to seek the cause. The result will be a series of repetitions, while the flaw in the system or the defect in the individual will remain wholly untouched. Again, such a person will often endeavour to prevent mistakes by adopting such stupid and futile methods as terrorizing or constant acrimonious grumbling.

It has been suggested that more mistakes and deficiencies are due to the incompetence of trainers and supervisors than to the ineptitude of the workers. There is no doubt that insufficient attention is paid to the training of the former. Their responsibilities are great and their qualifications for the work are only too frequently few. And the consequences are naturally serious and often far-reaching.

A valuable incentive to increased efficiency is the practical encouragement of self-educating or self-training. This can be done by the provision of adequate facilities for acquiring a knowledge of business methods in general and of the company's business in particular. There are several ways in which this object may be attained—

(i) Paying the whole or part of the fees for classes in certain recommended subjects.

(ii) Offering prizes or special increases of salary to successful candidates in certain approved examinations, e.g. Institute or

Faculty of Actuaries, Chartered Insurance Institute, Chartered Institute of Secretaries, or any other examination that may help to increase an individual's usefulness.

(iii) Holding classes at the office for certain specified subjects with a view to assisting candidates entering for any of the examinations mentioned in (ii) or for special inter-staff examinations.

(iv) Granting slightly shorter hours to those attending classes for examinations.

An increased intelligence and interest in office work will generally result ; the limited outlook will be enlarged, and the standard of competence and usefulness will be definitely raised. Moreover, experience has abundantly proved that these objects have been fully attained by the facilities and encouragements mentioned.

A further useful adjunct to the system of staff training is an adequate office library of reference books and educational literature. These should be readily accessible to all members of the staff, and a suitable scheme for lending the books should be arranged and placed under the control of a librarian. The staff should be encouraged to make free use of the library and to seek the advice of responsible officials as to desirable courses of reading.

It is, perhaps, hardly necessary to mention that any tendency on the part of a member of the staff to ridicule or deter those who are taking up any form of self-education, should be promptly and rigorously dealt with.

DISCIPLINE

An eminent business man of wide experience once remarked: " Human nature can be guided and inspired, but it cannot be driven." This is a cardinal principle of staff management and should never be ignored when considering problems of discipline and control. Failure to appreciate it is responsible for much wasted time, thought and labour, and not infrequently results in making discipline defeat its own ends. A measure of discipline is obviously necessary as a corrective to the weaknesses of human nature. It is required to restrain the unfortunate natural tendency to take the line of least resistance. But a system of rigid or ruthless discipline, though it may help to strengthen the qualities of the weak, will often tend to weaken the qualities of the strong. Its value to

the one is probably more than counterbalanced by the unfavourable effects on the other.

Discipline must be regarded merely as a means to an end. Unfortunately, many appear to regard it as an end in itself, amounting almost to a cult. The application of this latter view effaces all individuality and tends to mould everyone to the same pattern, often thereby standardizing mediocrity. The most highly disciplined are not always the most efficient, nor are they generally the most reliable or responsible. It is important to realize, therefore, that discipline should aim at a reasonable standardization of conduct purely for the purpose of increasing efficiency; and this object should be carried out with a minimum of irritation and disturbance to all concerned. In the words of a popular author, "The task of the expert in life is to run his machine with the maximum of activity and the minimum of friction."

Discipline should be instilled rather than compelled. Conformity to its necessities should be advocated on grounds of loyalty, common sense and example, rather than enforced by pains and penalties. In this way the most diverse natures may generally be guided and inspired, where they could never be successfully driven. But in cases where appeals to reason fail, and such cases should be few where the staff has been carefully chosen and properly trained, more drastic measures must be resorted to. It is better and fairer, however, to make an example of the few, rather than to do injustices to the many. For harsh and arbitrary rules merely tend to suppress, or even eradicate, the better elements of a staff. A management that becomes a slave to its own discipline is severely handicapped in its activities. Discipline is a good servant but a bad master.

It is on such guiding principles as these that office rules should be framed. The rules should be as few and as simple as possible. But whatever code may be adopted, it must be strictly enforced. An ill-kept rule is far worse than no rule at all. Administration, therefore, constitutes an important factor. Those responsible for maintaining discipline must do so with equity and impartiality. Maladministration is an inexcusable violation of principle. Inequities are always resented, and the consequent sense of injustice develops into a smouldering grievance, which rapidly creates a most undesirable atmosphere. Favouritism or the promiscuous

granting of privileges will have precisely the same effect. Whatever privileges or concessions are made should be made to all alike under a definite scheme that is provided for in the office rules. It is obviously unfair that only those who ask shall receive. In no circumstances, therefore, should any subordinate officer or departmental chief grant a privilege unless it is strictly within the terms of the general regulations. And for this reason, amongst many others, it is most desirable that every member of the staff should be given a printed copy of the office rules, which should at least contain clear and definite information on such matters as office hours, signing on, luncheon period, overtime, holidays, and all staff privileges. It then becomes impossible for anyone to plead ignorance on any points of discipline or privilege.

Respect for the office rules must be persistently cultivated. Like loyalty, it can be enlisted, but it cannot be conscripted. Obedience through fear of the consequences of disobedience is an unsatisfactory motive. It is too primitive. Though a chronic state of fear and subjection may produce machine-like behaviour, it is essentially conducive to indifferent work. Constant intimidations and humiliation suppress individuality and destroy loyalty and respect, without any corresponding gain in efficiency. In fact, there is often actual loss through restraint of initiative. The inculcation of a proper sense of responsibility is a far stronger and better stimulus to good work and conscientious behaviour. Sound rules of discipline, reasonably conceived, and equitably and humanely enforced, will not be regarded as onerous. On the contrary, they will be recognized as part of the natural and necessary routine of business.

SUPERVISION

The effective supervision of a staff is a matter on which a good deal might be written, for methods and circumstances differ widely. In the first place, much depends on the general type of staff and the diversities of character in the individuals comprising it. No universal system or code of rules is, therefore, applicable to all staffs, nor can the same general methods be applied to all individuals alike—that is to say, if the best results are desired.

Some people require constant supervision, while others work

best with very little, so long as they are given to understand that they are trusted to carry on conscientiously. With the latter, unnecessary interference is merely irritating and tends to militate against their putting forth their best efforts. On the other hand, in the case of the former, any relaxation of supervision will be taken advantage of immediately for purposes of slacking. These eye-servants are to be found in every staff, but there is generally a larger proportion among staffs where discipline and supervision are particularly rigorous. The reactions in an office are similar to those in a school. It is merely human nature a little older, but with this difference: the effects on character and responsibility are much more harmful to the individual and to the business.

It has been said that " the slack workman is the product of slack management." This is probably true. But intense supervision will not necessarily eliminate slackness. In fact, it may actually be an indication of slack management if the supervision is undiscriminatingly intense. It is obviously the *quality* of the supervision that matters, not its quantity. The most effective supervision is the kind that possesses the qualities of tact, discrimination, and experience.

The scope of supervision must not be confined merely to matters of conduct and working capacity. The question of business behaviour is dealt with in another section, and the problems of staff organization have already been discussed. It is only necessary to point out here that efficient supervision is a principle rather than any particular method. It is, in fact, the whole spirit of management. For instance, it embraces a careful observance of the quality of both work and worker. It will discern qualifications in the latter for other and more useful work. An observant and resourceful management will thus be enabled to utilize and develop to the fullest extent the abilities and potentialities of its staff. Supervision must also include a systematic record, preferably in diagrammatic form, of the work performed, week by week or month by month, by the various departments or the sections which compose them. Such statistics will enable the management readily to determine whether the staff is working above or below its normal capacity, and, therefore, whether it is inadequate or redundant. In short, effective supervision will detect all manner of tendencies and will

thus enable the management to conduct the business with the maximum economy and efficiency.

The character and qualifications of those entrusted with supervising need careful consideration. A really competent supervisor is an invaluable asset to any business; and by working in close co-operation with those responsible for staff-training, he can make the results still more effective. As already indicated, the necessary qualifications of the supervisor are tact, experience, discrimination, and resourcefulness. Stereotyped methods are fatal to sound supervision.

CONTROL

Quite apart from questions of supervision and discipline, many problems of staff management arise from time to time and need considerable thought and careful handling. These problems are mainly concerned with matters of staff guidance or control and with the nature of the duties and responsibilities in connexion therewith.

In some cases the control may be glaringly obvious; in others it may be unobtrusive, but perhaps none the less effective. The "firm hand" should seldom become a "mailed fist." And sometimes even the firm hand may be more effective inside a velvet glove. In short, studied discrimination is the keynote of successful control. A staff can be moulded, but it can rarely be effectively beaten into shape. There are occasional exceptions, but a helpful and sympathetic attitude is often productive of good results, while bullying or terrorizing definitely destroys the very qualities, which, if cultivated, would help to produce the most effective co-operation in control. With tactful handling a staff may go a long way to becoming an almost self-controlling body and thus save the management considerable time, thought and trouble.

But even in the most favourable circumstances, cases of insubordination or persistent disobedience sometimes occur. In such cases drastic action is often inevitable. It must, however, be administered with careful deliberation and well-weighed justice. Hasty judgment and harsh punishment are damaging to sound discipline if the principles of justice are at all violated. But a more difficult problem arises in cases of minor irregularities or thoughtless breaches of discipline. These must, of course, be checked

immediately, otherwise they will tend to become habits, and gradually spread throughout the staff. In their early stages, and they should never be allowed to go farther, it is not generally sound policy for small delinquencies to be dealt with by the higher officials or the chief executive officer. It is fatal to discipline and authority if they make themselves "cheap" by interfering in relative trivialities when their time and energies should be devoted to the more important matters of administration and policy. It is, therefore, preferable that most questions of discipline should be dealt with by heads of departments, or even by their deputies, and where there is a female staff by the chief lady clerk or the senior girl in the department. It should only be matters involving principle or serious cases of misconduct that should be referred to the chief officer or his senior assistants. And it should not be difficult for a capable head of department to decide whether a question is one of principle or routine. But where there is a doubt, the matter should be referred in fairness to the chief, since the ultimate responsibility for the consequences will rest upon him.

Where there is a mixed staff, many matters of detail in connexion with the female section can often be competently settled by the chief lady clerk. And if the staff manager co-operates consistently with her, the difficulties peculiar to a mixed staff can generally be met without much trouble. It is also desirable that there should be a "senior girl" appointed in each department (or section of department) to be responsible for the discipline and control of the girls in that department or section. And where this is done, there should be a definite understanding as to what matters should be referred to the head of the department and what to the chief lady clerk. There are, however, many matters of discipline and routine that can be effectively dealt with by the senior girl if she is given adequate authority and allowed a certain discretion.

As a general principle in the establishment of effective control, it should be the aim of the management to secure by natural means the loyalty and confidence of the staff. Loyalty can be recruited, but it cannot be conscripted. The same applies to confidence. These qualities are valuable assets to smooth and efficient control. If the staff know that they can always get a sympathetic hearing and helpful advice, the time and trouble devoted to this object

will be well repaid. Moreover, an atmosphere of mutual understanding will be created, which will serve a double object—the staff will more readily appreciate the difficulties of management and, therefore, probably render a more willing co-operation ; and the management, on the other hand, will acquire a better understanding of the characters and aspirations of the individual members of the staff and thus be enabled to measure and value their qualities, capabilities and potentialities. And it is probably unnecessary to emphasize the value and importance of such knowledge. The cultivation of this " new spirit " in industry is receiving, nowadays, increasing attention. The removal of mutual mistrust between employer and employed is the first step. And the next is to dissipate the false notion that their respective interests are by nature antagonistic. In point of fact, their interests are one. And it is only the ignorant or shortsighted on either side who are barring the way to that mutual understanding and co-operation that are the most vital factors in business prosperity. And the removal of the barrier is a comparatively simple matter. It merely consists in approaching questions of discipline, management and control from a rather different angle. A staff loses nothing by giving its best in loyalty, energy and initiative, and by showing a due appreciation of privileges. And the management loses nothing, least of all dignity, in showing, as far as practicable, a humane consideration to the interests of its staff. The most difficult staff problems then often tend to solve themselves, while others would never arise. Much time, trouble and friction, to say nothing of general discontent, would be thereby saved, and a healthy atmosphere developed. It has been well said that " respect and loyalty towards a chief will be drawn out by the qualities of character that deserve them ; and a leader who is fair and reasonable, as well as capable, will command better service than will a martinet. Organization means correlation of duties and harmony of effort. A staff should be so handled that it pulls together with efficiency like a well trained and nicely balanced team."

BUSINESS BEHAVIOUR

In addition to the general principles already submitted for maintaining effective discipline, there are a number of rules of conduct

which should be tactfully and yet definitely instilled into the staff with a view to creating a proper business atmosphere. The following are among the most important—

1. Courtesy should be shown to all alike. Discrimination, whether studied or thoughtless, is an indication of bad breeding. Courtesy to chiefs or clients, and discourtesy to junior colleagues, shows up a mean character more clearly than any other kind of behaviour. Such people tend to bully only those who cannot afford to retaliate. Finally, courtesy costs nothing, and pays well.

2. Respect is a business virtue and needs thoughtful cultivation. But respect must not be confused with servility or obsequiousness, which are unpleasing and generally unbusinesslike traits. There are many half-educated people who imagine that by showing respect they are forfeiting self-respect. This is a wholly wrong-headed view. Respect is merely a sign of good business manners. It is therefore a gain, rather than a loss, of dignity. A man who deems it necessary to assert that " Jack is as good as his master " is generally vastly inferior to the latter. But in every well-organized concern every Jack will have the opportunity of becoming as good as his master if only he will go the right way to work.

3. Comparisons between one's own position or salary and that of other people is a very unprofitable pastime. Feelings of jealousy are unsportsmanlike ; expressions of jealousy are contemptible. Besides, they are utterly futile, and increase friction and ill-feeling.

4. Nursing a grievance is an unfortunate habit. It generates noxious complexes which ruin one's nerves and impair one's efficiency. A man who has a grievance should " get it off his chest " as soon as possible, for better or for worse, and abide by the consequences like a sportsman. Long-continued subterranean grumbling is a real danger to the individual, to his colleagues, and to his employer.

5. Punctuality does not consist of signing on and signing off on the tick of time. A man who will not give more than his minimum hours is not generally much use to his employers in other respects. He is the man who cannot be relied on in emergencies. Punctuality applies to every job in the day's work and to every minute of the job.

6. It is a compliment to be asked a question on a business matter.

It should not, therefore, be made an occasion for an outburst of impatience, or for humiliating the questioner, however stupid the question. There is a great danger in discouraging the honest learner. But, of course, there is a proper time for all things.

7. Waste of time, waste of stationery, waste of words, and waste of energy should always be condemned. They all mean waste of money; and no employer can stand much of that. They all arise from the same cause—want of thought. And a man without thought soon becomes a man without pay.

8. Self-expression, properly directed, may be as valuable in business as it is desirable in private life. It is the secret of sound specialization. But undirected, or misdirected, self-expression is simply a nuisance to everybody and a danger to the individual.

9. Friction is probably responsible for more waste of time, words and energy than any other personal defect. It must, therefore, be suppressed early, and finally. It is a fault which is usually due to general small-mindedness or some other consequence of lack of education. Unless promptly exterminated it will lead to endless staff troubles, which may cause the management considerable difficulty. In many cases it originates in the higher officials and automatically spreads downwards through the staff. For instance, an acrimonious or cynical attitude at any stage works down, step by step, until the whole atmosphere below is poisoned with friction. For retaliation generally tends to take the line of least resistance. But there is no excuse for friction, wherever it originates. It impairs efficiency.

10. Bad examples are readily followed; good ones not so readily. Bad examples must, therefore, be promptly uprooted, good examples sedulously cultivated. Whether high or low, no one is safe in assuming that his example does not matter. Everyone should keep constantly in mind that whatever he does may be imitated by someone else.

11. Popularity is a mixed blessing and should not be cultivated. While there is no justification for being unpopular, it should be borne in mind that popularity may be a serious handicap to a career. There is a temptation to prefer it to business. After all, the object of going to an office is to work, not to seek social success. The best business men are neither popular nor unpopular; they simply

attend to business. They never play to the gallery either as hero or as villain. In staff management there is often some hesitation in putting a really popular man in control of others, unless he has very exceptional counterbalancing qualities. His desire to retain his popularity will often influence adversely his administrative capacity and ability to maintain discipline. On the other hand, the appointment of an unpopular man is unsatisfactory, as he usually causes friction and general unpleasantness, which are productive of indifferent work and inferior discipline. Anyone who wants to get on must not, therefore, try to steer a middle course between popularity and unpopularity ; his course must lie in the opposite direction where neither is in sight.

12. There are many little habits that are unbusinesslike, and therefore bad. They are easily acquired but not so easily cured. They are sometimes due to thoughtlessness, sometimes to genuine ignorance, and sometimes to lack of discipline or manners. They will merely be mentioned ; they are too obvious to need any elaboration—sitting on desks or tilting chairs ; lolling or lounging ; chatting or chaffing ; loud or abrupt talking ; unnecessary arguing, even on business matters ; going out of the office without permission ; hands in pockets ; smoking in office in office hours (even when going to or returning from lunch) ; private interviews, letter-writing, or telephoning ; and last, but not least, slovenliness, untidiness, or slipshoddiness, in either work or behaviour. It should not be necessary to point out that the office should not be used or mistaken for a social club.

But possibly none of the above faults and defects would ever arise if every member of the staff could be imbued with that sense of decency and propriety that naturally springs from a full realization of duty and responsibility. Some people have an inborn sense of discipline, others are self-disciplined, while many require discipline thrust upon them. If the last-named class could be clearly shown the necessity for, and the inherent reasonableness of, proper business behaviour, the difficulties of staff management would almost vanish. And if they could further be made to realize their responsibilities, as to both their work and their conduct, the millennium of business ideals would be attained. But this cannot be effected by the mere enunciation of precepts or platitudes.

It must be demonstrated in practice. Irresponsibility can only be effectively cured by reposing responsibility, however small, but with due regard to personality, capacity and intelligence. It is worth attempting, wherever possible. It pays. And so does observance of the rules of business behaviour.

BUSINESS PERSONALITY

The importance and value of a good personality in business is probably undeniable. It is sometimes regarded as a natural gift; but there is little doubt that it can be acquired by those who have the will and intelligence to develop it. At its best, perhaps, it is the joint product of a right disposition and a right education. But either of these factors alone can, with individual cultivation and effort, produce a very workable business personality, or at least a sound combination of good manner and good manners. In effect, it is a question of developing a right business attitude towards everybody—colleagues or clients, old and young alike—absolutely without discrimination. Snobbishness, self-importance, inconsiderateness, on the one hand, and servility, obsequiousness, pettiness, on the other, are all evidences of bad manners and bad form, and generally show a weak character and poor personality.

But a consistently right attitude to everybody is an invaluable business asset to its owner, and even more so to his employers. The latter, however, do not always appraise this quality at its true worth. They sometimes deplore its absence, but take no practical steps to encourage its cultivation, much less to show the way by example, or even precept. In fact, few realize that a weak or bad personality in business is a real source of danger. For it not only tends to turn away business, but it is an ever-present source of friction and inefficiency amongst the office staff. The former risk is obvious and therefore needs no elaboration. But the latter is not so generally recognized. Wherever such personalities are found, there is always an atmosphere of unpleasantness and trouble, which tends to permeate the whole staff. The symptoms are numerous and varied. A chronic condition of grumbling, nagging, or pinpricking on the one hand, or of scolding, storming, or bullying on the other—these simply cause bad work without any compensating advantage; while a pleasing personality, consistently adopted

and wisely directed, will stimulate loyalty, inspire confidence, and beneficially dominate business. And, at the same time, it will get all it wants out of everybody, and generally without their knowing it. Moreover, it will never desert, nor be deserted, in times of emergency. Every management should, therefore, strive to encourage the cultivation of good business personality in the earliest possible stages of staff-training.

DEPARTMENTAL REPORTS

It is a practice in many companies to require from each department a periodical report, often weekly or monthly, showing the position and progress of the work, the prospects during the ensuing period, the amount of overtime worked, the health and general working capacity of the staff, any special work or problems dealt with or in hand, and, in fact, any departmental matter of such interest or importance as may justify its submission to the management for consideration. Much of the subject-matter of these reports can best be submitted in either diagrammatic or statistical form, so that results can be more conveniently compared with those of previous periods. Questions of inadequacy or redundancy of staff can then be more readily appreciated, and the necessity and procedure of staff transfers can be better considered. Special matters should be put forward as concisely as possible; and where a number of points or arguments are involved, they should preferably be set out categorically.

If full written reports are submitted, the management may, when necessary, discuss any of the matters fully with the head of the department, or jointly with him and any others concerned. But, on the whole, a better plan is to arrange periodical meetings of heads of departments with one or more assistant officials deputed for the purpose by the chief executive officer. At such meetings, charts, statistics and reports in connexion with purely routine matters would be handed in with any notes or comments that may be considered necessary. Subjects of more general interest or concern affecting other departments would next be brought forward and discussed. And, finally, matters concerning individual departments would be submitted and the chairman of the meeting—one of the assistant officials—would either settle the point off-hand or arrange

an interview for fuller discussion later on. A deeper knowledge and better appreciation of the problems and difficulties of others will not only prove instructive and generally educational, but it will also cultivate that spirit of co-operation and team-work which are quite as essential to the head of a department as to every member of his staff.

STAFF COMMITTEES

It is a common practice for the staffs of most companies to appoint certain of their number to act on behalf of the general body for certain specified purposes. These may include all or any of the following objects—

1. To establish and run staff sports clubs or arrange inter-staff or inter-office matches in various kinds of sports or games.
2. To collect subscriptions for testimonials to the staff on marriage, retirement, etc., and to purchase the gifts for presentation.
3. To organize or run luncheon schemes on advantageous terms.
4. To accept deposits in connexion with summer holiday or Christmas funds, or to manage savings associations.
5. To act on behalf of the staff and to watch their interests.
6. To officiate as the mouthpiece of the staff in all matters involving negotiation with the management.

So long as its aims are legitimate and its purposes carried out on a reasonable and businesslike basis, the management are generally well advised in recognizing the committee and giving fair consideration to its submissions and helpful encouragement to its activities. On the other hand, non-recognition or suppression will tend to create an impression of arbitrariness or tyranny, which not only militates against the cultivation of loyalty and co-operation, but destroys all harmony of relationship between employer and employed. A sympathetic hearing is always worth while, whatever the ultimate judgment may be.

A just and enlightened management has nothing to fear from staff committees which are truly representative of the staff. Mutual fair play has infinite possibilities ; and they should be obvious to the meanest intelligence. But a management that fears and discourages such organizations virtually admits its unfitness to manage. For such an attitude betokens adherence either to the

doctrines of an effete commercialism or to the even less reputable standpoint that recognizes grievances and yet refuses to remedy them.

As a counsel of perfection, it is usually found to be the wiser policy, and certainly the more just and dignified, to grant concessions before they become overdue and to remedy grievances before they are formally voiced. The need for staff committees would then hardly arise except for those unofficial or semi-official purposes which are beneficial to both company and staff in creating an organized loyalty and in developing a healthy *esprit de corps*.

CHAPTER VIII

REMUNERATION

THE problem of remuneration, or payment for services rendered, is perhaps one of the most difficult and contentious in the whole realm of practical business. Limitations of space will not, of course, permit of any exhaustive consideration of the subject. And besides, the purpose of this volume merely calls for a brief outline of the main principles and their general application in practice.

DEMAND AND SUPPLY

The cost or price of labour is primarily governed by the operation of general economic laws. There are too main principles involved—

(i) The relation between the supply of and demand for labour.

(ii) The commercial value of the products of labour.

Both these factors are fundamentally involved in the determination of the rate of remuneration that it is possible or necessary to pay. For instance, if the supply of labour is greater than the demand, labour will tend to be cheap. If the demand is greater than the supply, it will tend to become dear. However, if the price of labour rises above a certain point, it may become unremunerative to the employer, with the result that the latter may be compelled either to effect economies in other directions or to close down the business temporarily or permanently. In the aggregate, and in course of time, either of these courses will tend to reduce the price of labour by bringing the demand below the supply. Similarly, if labour is abundant and in excess of the demand, there will be a point of remuneration below which labour ceases to be efficient ; and increased remuneration may, therefore, become necessary in order to restore efficiency.

It must, of course, be understood that these are merely general tendencies or elementary principles, which may be modified or affected by various economic influences. For instance, the question of collective bargaining has been ignored. This is, admittedly, an

important element in modern industry. It is not proposed, however, to discuss it here, as it introduces a factor which does not arise to any appreciable extent at present in the case of clerical and technical staffs, with which this chapter more particularly deals. This branch of labour is not yet sufficiently organized for such purposes, though unsatisfactory scales of remuneration and conditions of service in some companies have stimulated movements in this direction.

Regarding the matter purely from the employer's standpoint, that is to say, considering the actual needs of business, it will be seen that there are three main elements involved—

(*a*) Sufficiency of labour.

(*b*) Efficiency of labour.

(*c*) Cost of labour.

Sufficiency and efficiency are obvious essentials to the effective working of a business; and economy in cost is also necessary to render it remunerative. But the proper relation between quantity, quality and cost, is often a question of policy or practical experience in individual cases. The ideal condition, of course, from the employer's point of view is an adequate supply of efficient labour at low cost. On the other hand, the employee's aim is to obtain the best possible price for his services.

Assuming the supply of labour to be adequate, there will always be a tendency for employers to select the efficient rather than the inefficient or unskilled worker, provided the cost of the former renders their employment sufficiently remunerative. There is generally an abundant supply of unskilled workers available; and it is only among the expert or trained workers that there is sometimes a shortage. This, naturally, tends to enhance their commercial value. But the practical needs of many employers are such that they require a comparatively small number of experts, since the main bulk of the work may be of a purely routine character, which can be quite effectively performed by relatively unskilled workers. The proper proportion of skilled to unskilled naturally varies according to the character of the business. But whatever the proportion may be, there will necessarily be two scales of remuneration, a relatively high rate for the experts and possibly a low rate for the routine workers. Whether it would be found

remunerative to employ well-paid skilled workers on routine work is a matter that only experience can decide. Those who contend that it is so do so for three reasons: (i) skilled workers are capable of doing even routine work better than the unskilled; (ii) skilled workers can readily graduate from routine to expert work when required, whereas the unskilled type are usually incapable of doing so; (iii) the unskilled are frequently unable to do even routine work efficiently, especially if they are inadequately paid. As already pointed out, therefore, the question generally resolves itself into one of policy and experience.

But the question of adequate remuneration is a very difficult one. When the supply of labour exceeds the demand, there is a natural temptation for the employer to take advantage of it. Yet the question arises as to whether it is sound policy to do so, for it is now generally recognized that efficiency depends to a large extent on adequate remuneration. To quote the words of an eminent modern industrialist from the other side of the Atlantic—

"Low wages will break business far more quickly than it will labour. The old theory, which still persists in business, is that the rate of wages depends on the bargaining power of the worker as against the monopoly power of the employer. Under that theory, both sides lost. Under that theory, labour unions rose, and organized war began, with boycott and lockout as the weapons. Nothing more is needed than these results to prove the theory false. Yet it is clung to by old-line management and old-line labour with equal tenacity. They both are wrong. It needs to be driven home to men's minds that such a theory represents nothing but the accommodation of their logic to their errors. The theory of wages in the past has been merely a description of the predatory spirit that once actuated money-making. There is no standard wage except that set by the energy, ability, and character of all who are engaged in the business. The basic fact is that the standard wage is what management and industry can make it. Upon managers more than upon political economists rests the responsibility of furnishing data for the new theory of wages. A business that does not include a steady and profitable wage scale among the good things it produces is not a productive business."

This is hardly the place to enter into a full discussion of the

economic bearings and consequences of this " new theory of wages." It is, perhaps, sufficient to say that it has been subjected to certain criticisms, some of which may be valid. But the experiment has been tried, apparently with satisfactory results. How far it may be practicable in all circumstances and in all businesses is a question that is certainly contentious. But in any case there are probably few who will deny that inadequate income is a fruitful source of inefficiency. In fact, the statement is almost axiomatic ; but although it may be generally admitted in theory, it is not infrequently ignored in practice. It has been proved in a large number of instances that an adequately paid staff is more efficient than an underpaid staff, for the means to maintain a reasonable standard of living removes many of the more serious anxieties of life and minimizes many of the causes of ill-health, which are two of the most important factors responsible for inefficient work. And it is gratifying to observe that the more reputable modern employers of labour not only recognize the principle, but have themselves put it into practical operation.

It has been said that " one's own employees ought to be one's own best customers." They can, at least, always be one's own best advertisers. It is not likely that an underpaid staff will be anything but a discredit to employers who show so little consideration that they are unwilling to pay even a living wage. Such a staff is, therefore, a constant secret source of danger.

The evil consequences of inadequate pay, especially when combined with long hours or unsatisfactory working conditions, are as numerous as they are apparent. Impaired health, financial worry, outside work in spare time, nerve strain—all tend to produce indifferent work and general inefficiency, while, on the other hand, the beneficial effects of allowing even a small margin of safety in remuneration will be abundantly shown by keen, loyal and conscientious work, which is the natural response to fair and considerate treatment. But it must be remembered that such response is a definite obligation on the part of the employees, for fair remuneration is rendered possible only provided good value is given in return for good pay. If the employer takes the first honourable step, the staff must necessarily respond to it. It must be a reciprocal arrangement based on a mutual understanding. For it

is only on this basis that the principle can be fully justified in practice. If a better standard of work is not obtained—in fact, if the improvement is not actually progressive—the principle is falsified. In short, if the staff fails to respond and co-operate sufficiently, the theory will break down when put into practice, and a reversion to the old methods may become economically inevitable.

METHODS OF REMUNERATION

The question of methods of remuneration may now be considered in detail. There are three principal systems, all of which may be in operation at the same time in different sections of the same business. These systems are—

(i) Payment by time.
(ii) Payment by results.
(iii) Payment by contract.

So far as clerical staffs are concerned, payment is made by time, wages or salary being generally reckoned on a weekly or annual basis, respectively, though in the latter case the engagement is usually terminable on a month's, or, occasionally, on a quarter's notice. Payment by results is exemplified where remuneration is made by commission, which is sometimes paid in addition to a fixed salary. Finally, payment by contract occurs in the case of more or less long period agreements made with expert officials or certain professional advisers, where fees or other payments are made according to definite arrangement, often depending on the nature or amount of the particular service rendered. In some cases of payment by contract, there may be little to distinguish them from payment by time or results. But for the purpose of our brief outline it is merely necessary to call attention to the general classification in so far as it concerns insurance organization.

The three methods of payment, more particularly the first, are subject to certain subdivisions, and these will be dealt with categorically.

SALARIES

In considering the general question of remuneration by way of salary or wages, there are several important points to which

attention must be drawn. Although the main principles have already been briefly discussed, it is necessary now to consider their application to the salary or wages of a clerical staff, and more particularly to that of an insurance company.

(i) **Value of Services.** The first consideration to be kept in mind is the actual value of the services rendered to the employer. The method of its determination need not be discussed for our present purpose, as the actual cost of a clerical staff is more or less standardized according to the particular nature of the business and the general conditions prevailing in connexion with the remuneration of this class of labour. The only point to be considered, therefore, is the salary required to be paid for obtaining and retaining the type of staff necessary to carry on the business efficiently. Conditions vary from time to time, and it is therefore important to watch them closely and to be prepared to offer salaries accordingly; otherwise, an efficient staff will not be secured or retained. A margin of safety is always desirable, if not essential, in order to retain the services of people whom it would be difficult to replace. Long experience of the work of a particular company and its clientele has a certain intrinsic value. And yet in view of the age of the individual there may be little or no possibility of his obtaining a post elsewhere. It may often happen, therefore, that his "outside" or market value may be considerably less than what may be called his "retention value." For instance, there is but little outside demand for men of over, say, 50 years of age unless they happen to possess very exceptional qualifications. Regarded from this standpoint, it may be argued that there is no justification for giving increases of salary after this age has been reached. But this argument, though perhaps logically sound, is not altogether psychologically valid. A man of 50 may be in many ways at the height of his business capacity, which he may well retain for some years. This capacity, however, may become impaired and its consequent output diminished by the depressing fact that the maximum remuneration has been reached. It seems undesirable, therefore, that any absolute maximum should be rigidly and irrevocably fixed; there should always be at least a possibility that good work and increasing experience may be recognized irrespective of age.

But in the case of a younger man of promising capacity and ability, the standpoint is rather different. There may be a real danger of losing his services and acquired experience, which it may not be easy to replace. It is, therefore, clearly desirable to endeavour to retain his services as a matter of course by fair treatment and adequate remuneration, rather than to risk his resignation to get a better post, thus creating a situation that may prove difficult or awkward to counter.

(ii) **Hours.** Rates of remuneration can only be considered and measured in relation to hours of work. No fair comparison can otherwise be made between the scales paid by different employers. Where the particular requirements of a business necessitate a long working-day, it is reasonable, and generally necessary, to pay higher salaries if it is desired to retain the services of skilled and valuable workers. It is obviously false economy to risk the loss of the more desirable members of the staff and only to retain the less desirable.

(iii) **Conditions.** As in the case of hours, the general working conditions must be taken into account when considering scales of salary. Nowadays it is becoming a common practice to grant certain privileges to the staff, such as periodical Saturday holidays, extra half-holidays (sometimes called " bisques "), three (or even four) weeks' holiday, afternoon tea interval, and so on. Moreover, many companies have instituted staff luncheon schemes and pay the whole or part of the cost. Or they may have lunching-in arrangements which provide meals at or below cost price. As in the case of short hours and extra holidays, etc., which are obviously expensive to the employer, so also are such privileges as luncheon schemes. Again many companies contribute to benevolent schemes established for the benefit of the staff and their families. And, finally, it is very common to find a pension fund, and often a life assurance scheme, in addition, both of which may provide benefits of considerable value, while their cost is usually contributed to liberally by the company. It will be realized, therefore, that the nominal rate of direct salary is often somewhat misleading. It is not only necessary to consider, when making comparisons, the actual number of hours worked per annum, but the amounts or benefits indirectly received through the medium of such sources as luncheon schemes, pension

assurance and benevolent schemes, and so forth. Their total value is often considerable.

(iv) **Salary Scales.** There are two distinct schools of thought that hold diametrically opposite views on the question of scales of salary increases. On the one hand it is contended that the commencing salary and subsequent increases should be rigidly fixed at the outset for all individuals of each grade, where the staff has been graded, and in no circumstances can they be varied. It is argued that variations according to merit are merely disturbing; the minimum increase comes to be regarded as a reason for dissatisfaction; and discrimination in giving special increases produces jealousies, grumblings and fruitless comparisons, which cause at least temporary inefficiency. It is therefore held that the soundest policy is to fix a fair and adequate commencing salary and scale of increases, and expect the staff to "get on with their jobs" on a perfectly clear and unalterable understanding. The other school maintain that specially meritorious service should be encouraged by every possible means, and that the best method of doing this is by awarding increases of salary according to merit. A fixed scale does not provide the necessary incentive. On the contrary, it tends to encourage the staff to do no more than the bare minimum of work for which they are paid. As they cannot receive more, they will naturally be inclined to give as little as possible, and they will be less likely either to improve their efficiency or to add to their qualifications.

The objections to the fixed scale system may be partially overcome by the adoption of grades according to the quality of work performed. And if it is possible by meritorious service to rise from a lower to a higher grade and thereby qualify for a higher salary scale, a definite incentive will be provided. But such an arrangement can also be made under the merit system, so that an individual can not only rise more rapidly in his particular grade, but he can qualify for promotion to a higher grade if his improved work or acquired qualifications justify it.

Where the grading system is in operation, there is generally not only a difference in the commencing salaries and rates of increase, but also in the fixed maximum salary. This is sometimes combined with a system of what is called "Barriers." In any particular

grade, increases continue annually until the first barrier is reached. This may prove to be a maximum, or, on the other hand, it may be possible to pass it by special merit. The increases to the next barrier may be annual, biennial, or triennial. The second barrier may similarly be passed, but generally only in exceptional circumstances. The third barrier is usually final and impassable. But the system, as a whole, has the merit of elasticity and is adaptable to varying conditions. The principle is sound and equitable; and, what is more, it works smoothly in practice when administered with discretion and discrimination. On the other hand, the fixed scale plan, although its advantages must be admitted, is too rigid, and therefore not always fair. Moreover, it encourages mediocrity and tends to standardize it.

(v) **Adequacy.** The question of adequacy has already been fully discussed. The gist of the arguments submitted is that low pay is not economic, because it produces inefficiency. A small but well-paid competent staff may actually cost more than a large low-paid staff. But the work of the latter is generally inferior to that of the former in quality and often in quantity. It is not, therefore, economical. And this is quite apart from the opprobrium attaching to such a practice and the damage to reputation caused thereby.

There is one further point that may be mentioned in this connexion, and that is the age at which a member of a clerical staff should be self-supporting. It has been contended that salary scales should be such that a single man (or woman) should be earning a "living wage," whatever that may mean, after five years' service or certainly at 25 years of age, assuming entry at 17 or 18 years. This is not perhaps an unreasonable contention. But the case of the young married man is rather more difficult. It will probably, however, be granted that the salary scale should generally make it possible for a man to marry at 30 with at least a prospect of comparative comfort. It is true to say that the majority of insurance officials do now enjoy scales of remuneration which conform to this standard.

(vi) **Initial Salary.** It is held by some, and with certain justification, that a junior clerk enters a business as an apprentice. If he intends to make it his career, he should not expect more

than a nominal salary until he has mastered many of the technicalities of the business and thus qualified himself to some extent as an expert. On the other hand, the prospects may not be such as to ensure a good ultimate income. The result of this may be that the right type of men will not be attracted to the business, which may thereby suffer in consequence. This principle, however, does not usually apply in the case of the female clerk, whose business career probably does not average more than nine years. But in any case the same initial salaries are not necessarily applicable to the male and female staff alike. If the " apprentice " theory is adopted, the initial salaries of the male staff will probably be lower, but their rate of increase will be higher than in the case of the female staff. And this is very frequently justified since the latter often enter with special qualifications, such as shorthand-typing, whereas the former more often come into the business without any special training. But while the maximum value of an expert shorthand-typist has a definite limitation, the commercial value of a competent male clerk may ultimately reach a far higher limit. It is not intended to suggest, however, that responsible and remunerative posts should not be open to women. On the contrary, they should be afforded ample opportunity to develop their talents and to take up appointments carrying high salaries.

OVERTIME

The problem of overtime is perhaps beset with as many difficulties as that of salaries. There are, however, one or two general principles that may be safely laid down, though there are others that are somewhat controversial.

In the first place, it must be assumed for our present purpose that the company's staff hours are in normal times more or less standardized. It should also be assumed that as each member of the staff is engaged, he is told the number of working hours per week that is normally expected of him. In fact, such an understanding should form the basis of the terms of his engagement. But it is usual, and certainly fairer, to explain to him that there may be certain periods of exceptional pressure when the normal hours must necessarily be exceeded and overtime work will consequently be required of him. And it should further be pointed out that any

payment for such overtime must be regarded as a concession and not as a right. Times of abnormal pressure are an incidence of every business. In some departments a little overtime may be unavoidable at certain periods of the year, but often the same departments have periods when the *tempo* is much reduced; the staff must have regard to the service as a whole. If payment is made, it is obviously necessary to guard carefully against any tendency to slacken speed during the day in order to obtain extra remuneration for evening work. This, however, should normally be rendered impossible by a proper system of supervision.

The next point to be observed is that overtime, whether remunerated or not, is thoroughly uneconomic except, perhaps, for short periods. It should therefore be permitted only in cases of unavoidable emergency. Generally speaking, it is a sign of unsound organization or bad management. When an employer has found by practical experience what number of working hours per week will produce the maximum degree of efficiency, he must necessarily realize that if he calls upon the staff to exceed those hours for any length of time, their efficiency will be impaired and the work will suffer in consequence.

The methods and scales of payment for overtime depend mainly on questions of policy or expedience. If the principle of payment is admitted the point arises as to when and by whom payment should be authorized. It should rarely be left to the sole discretion of heads of departments for the reasons mentioned in a previous chapter. Their reports on the position of the work and recommendations in the matter should, of course, be considered, but the ultimate decision must rest with a responsible officer of the company, whose duty it is to review all the circumstances and to consider the particular case in the light of staff and working conditions generally.

There are two other points that require consideration, the time from which payment shall be reckoned and the rate of such payment.

In some cases payment is allowed from the time of the normal termination of the day's work. In others, after, say, half an hour from that time; while in still others, as in certain grades of the Civil Service, the staff are required to work overtime for so many hours in each four-weekly period before payment can be claimed. This has the effect of eliminating for purposes of payment practically

the whole of the first week out of every four, thus safeguarding unwarranted overtime. But in considering such provisions, the rate of payment must be taken into account. And if this is adequate, the safeguard is justified on grounds of principle and the results may be entirely equitable in practice.

Except where the exigencies of the case necessitate the whole staff working overtime, there is something to commend the practice of calling for volunteers and only employing those who are the most conscientious and capable workers. If the rate of pay is sufficiently attractive, the response will generally be adequate. Moreover, if only the best workers are chosen, the work will not only be more economically done, but the fact of selection will prove a strong incentive for others to increase their efficiency so that they may become eligible on some future occasion. Overtime, if reasonably well paid, is a privilege that is often much sought after as a valuable addition to income.

COMMISSION

The question as to whether branch managers, inspectors, and the field staff generally should be remunerated by commission, salary, or a combination of both, is a matter on which a good deal might be written. On the one hand, payment by commission alone undoubtedly tends to produce a continuous maximum energy in the direction of obtaining new business. But it must not be overlooked that where a certain amount of office routine work is also required, there may sometimes be a tendency to neglect it for the sake of the more remunerative business-getting. This is obviously undesirable. Moreover, there is the further danger of field men either being too inclined to express over-optimistic views of their introductions or tending to gloss over unfavourable features in order to get business through, regardless of the consequences to the company.

On the other hand, where remuneration is in the form of a fixed salary only, the personal incentive is removed. The line of least resistance will then generally be taken, and if new business-getting is difficult, there will probably be a tendency to procure no more than sufficient to enable the field man to retain his post.

But while these are the general principles underlying the question of remuneration by commission, it is necessary to point out that,

so far as insurance is concerned, their practical application is relevant mainly to life business. For it is a rule of the Fire Offices Committee that branch, district, or local managers or secretaries, superintendents or inspectors, must be paid exclusively by salary, with or without commission on profits. They must not be paid by commission on premiums. This rule, which is observed by all *tariff* composite offices, is not a mere arbitrary one, but it is based on experience and necessity. Its object is to prevent "rebating"—an admitted evil. If a man is paid by commission, he gives part of it away to get business on the one hand, and he competes with the agents on the other. But profit commission is obviously quite another matter.

With life business, however, there is no such definite rule, and practice varies according to circumstances. On the whole, perhaps the most satisfactory method of remuneration is partly by salary and partly by commission. The salary, of course, should be subject to periodical reconsideration, and increases should be given when results justify them. The scale of commission may consist of either a small percentage single payment on the new business introduced or, perhaps better, a higher percentage of "over-riding" commission, which would be calculated only on new business introduced over and above a certain fixed minimum. Whether branch managers and all types of field men should be remunerated on exactly the same plan is rather a debatable matter. It is unsafe to lay down any general rule. Probably the best results can be obtained by giving careful individual consideration to each case, always giving due weight to such questions as age, character, qualifications, experience, and the particular duties required. Knowledge of circumstances and psychology will usually solve most problems of this kind.

Profit commission is often paid to marine underwriters and usually to marine underwriting agents.

BONUS

It is the practice of some companies to award a periodical bonus to their staff. The payment may be made annually, or, if it depends on a less frequent general distribution of profits, it may occur only triennially, or even quinquennially.

The practice has much to commend it. It gives the staff a sense

of co-partnership and makes them realize that the amount of the profits depends to some extent on their individual efforts. Moreover, it gives a financial stimulus to any esprit de corps that they may naturally possess. And it will have the further beneficial effect of creating a certain local public opinion with regard to any slackness on the part of unconscientious colleagues.

Individual bonuses are also sometimes given as a recognition of special work or particularly meritorious service. Such a plan is convenient where overtime payment is either not made or is considered inadequate in the particular circumstances, or where a special increase of salary is either not sufficiently justified or not permitted under the salary scale in force.

CHAPTER IX

OFFICERS OF THE COMPANY

IN this chapter it is proposed to offer some observations of a general character regarding the various officers of a company, the word " officers " being used in a colloquial sense and not as a strict term of law. Under the Companies Act, 1948, an officer is a director, manager, or secretary, but many companies provide by their Articles of Association or by Board resolutions that officials bearing other titles shall be officers.

Unless an officer has a contract with the company fixing the terms of his employment, he can be dismissed by the directors with whatever notice to which he would be entitled if employed by a private person. What notice a person is entitled to depends upon the position held by that person; there is authority for thinking that in the absence of any stipulation to the contrary a superior official would be able to claim at least six months' notice.

An appointment for more than a year or for a year to commence from a future day cannot be enforced unless there is a sufficient memorandum to satisfy the Statute of Frauds, i.e. one signed by the company or by a person authorized by the company setting out the terms of the employment. The Articles of Association are not a sufficient memorandum for this purpose, but a minute of the directors, signed by the chairman, has been held to be sufficient.

DIRECTORS

The Companies Act does not define the status of directors and it is not easy to lay down their precise position, though as far as insurance companies are concerned their duties and functions are well understood.

They are, in the case of most offices, gentlemen of eminence in the professional, financial or commercial world, who are invited to join the Board because of the knowledge that they can bring in the direction of the affairs of the company and the confidence that their names will inspire among the insuring public. In the case of one or two companies the directors are recruited from the ranks of the officials of the company, and they are men of long

and intimate insurance experience; but in the case of the big composite offices the directors are not insurance men, but financial magnates or successful professional or commercial men.

In the cases of the "legal" offices the board of directors often consists mainly or entirely of lawyers.

The consideration of the legal position of the directors is beyond the scope of this volume; suffice it to say that they are agents of the company and manage its affairs subject to the Articles of Association. The articles prescribe that they shall be elected by the shareholders (in the case of mutual offices where there are no shareholders they are elected by the policyholders), generally a certain proportion of their number retiring each year, and as a general rule they are required to hold a share qualification. Subject to a number of exceptions, no person is to be appointed director of a public company, or of a private company which is a subsidiary of a public company, if at the time of his appointment he has attained the age of seventy. A director on reaching this age shall vacate his office at the conclusion of the annual general meeting commencing next after he attains that age. Perhaps the most important exception is that a company registered before the 1st January, 1947, may alter its Articles by special resolution and include a retiring age other than seventy, or that there shall be no retiring age.

THE CHAIRMAN

Most Articles of Association provide that the directors shall elect one of their number as chairman. As a rule this office is held permanently, the same director being re-elected each year, but in some cases the office goes by rotation.

As a rule the chairman receives larger fees than the other directors and, generally, is obliged to devote a good deal more time to the affairs of the company than the other directors. In some offices the chairman is styled the Governor, and this eminent position is held in some instances, as insurance men are proud to remember, by men who have risen from the ranks.

The speeches of the chairmen of our big companies at the annual general meetings are now becoming a feature of the financial world, as are the speeches of the chairmen of the Big Five in the banking world, and are widely read and studied.

MANAGING DIRECTOR

Sometimes a managing director is appointed, but such an appointment is not usual with insurance companies. He is usually in receipt of a salary, and is in effect the general manager with a seat on the Board.

LOCAL BOARDS

It is usual for the bigger companies to appoint local directors in all the important centres where they do business, both at home and abroad. These gentlemen are not directors of the company within the meaning of the Companies Act and have no duties in respect of company matters, but act in an advisory capacity in respect of the company's affairs in the particular locality, and are usually in a position to influence business to the company.

GENERAL MANAGER

The general manager, as the name implies, is the chief executive officer of the company, and has the entire oversight and control of its affairs.

In some cases he takes the management of some particular department, but as a rule it is impossible for him to do this, and he is content with general executive duties. He may be assisted by one or more assistant or deputy general managers. As a rule the title " deputy " is considered superior to that of " assistant," implying that he takes the place of the chief officer in his absence, whereas the other is only to assist such officer.

It should, however, never be overlooked that titles do not always give a true indication of what a man's powers and responsibilities are, and no reliance can be placed on them as a guide ; for instance, a secretary or an assistant secretary, especially in a life office, may be a business getter.

FIRE MANAGER

This is the title generally bestowed upon the chief official of the fire department. In some cases the work is divided between the home fire manager and foreign fire manager, and there are usually assistant officials with appropriate titles. For this purpose the title

" superintendent " is sometimes used, but is generally disliked by fire and accident men in view of its use in another section of insurance business.

ACTUARY

The chief official of the life department is the actuary, who is nowadays sometimes given the dual title of actuary and life manager. In effect, many actuaries are the financial advisers of the companies they serve, and in addition to controlling the life business are responsible for the investments and financial affairs of the company.

ACCIDENT MANAGER

This is the title usually borne by the chief official of the accident department ; the ramifications of this department vary greatly with different offices, largely due to the fact that the various sections have commenced at varying times and are not of equal growth.

UNDERWRITER

Though the word " underwriter " may be applied to every official who accepts proposals and places his company upon risks, the term has a special meaning as indicating the manager of the marine department. In view of the fact that the marine departments are in such close touch with Lloyd's underwriters, they cling to the name rather than adopt the more modern term of manager.

AGENCY MANAGER

The agency manager is usually in charge of the outside organization of the company at both head office and branches. He is in charge of the inspectors or " business getting " staff. Sometimes he controls the branches entirely, and sometimes his duties are confined to controlling the inspectors.

SECRETARY

The secretary is the official who has charge of all the company affairs, usually attends the meetings of the directors, and prepares agendas and minutes. How far his duties include anything to do with underwriting and claims depends upon the particular office.

REGISTRAR

Sometimes the work of share transfers and transmissions is done in the secretary's department and sometimes by a separate official styled the registrar.

ACCOUNTANT

The accountant is the official responsible for the accountancy work of the company. He may confine his attention to the preparation of the final accounts and leave the recording of individual transactions to a superintendent of the records or mechanization department.

AUDITORS

Prior to 1900 there were no statutory provisions in regard to auditors except in the case of banks. The present law as to their appointment is to be found in Sect. 159 of the Companies Act, 1948.

Every company must at each annual general meeting appoint an auditor or auditors to hold office until the conclusion of the next annual general meeting. At any annual general meeting a retiring auditor, however appointed, shall be reappointed without any resolution being passed unless—

(*a*) He is not qualified for reappointment, or

(*b*) A resolution (of which special notice is required) has been passed at the meeting appointing somebody instead of him, or providing that he shall not be reappointed, or

(*c*) He has given the company notice in writing of his unwillingness to be reappointed.

If an appointment or reappointment of auditors is not made, the Board of Trade may appoint an auditor to fill the vacancy.

A person shall not be qualified for appointment as auditor of a company unless he is a member of a body of accountants established in the United Kingdom and recognized by the Board of Trade, or the Board authorizes him to be appointed as auditor either on the grounds of having similar qualifications obtained outside the United Kingdom or as having obtained adequate knowledge and experience in the course of his employment by a member of a recognized body of accountants or as having, before the 6th August, 1947, practised in Great Britain as an accountant.

When a company receives notice of a resolution to appoint as auditor a person other than the retiring auditor, it must send a copy to the retiring auditor who may make representations of reasonable length and request that they be notified to the members.

The directors may fill any casual vacancy in the office of auditor, but while the casual vacancy continues the surviving auditor or auditors (if any) may act.

An officer or servant of the company or a body corporate or a partner or employee of an officer or servant is not capable of being appointed auditor. In the case of subsidiary and holding companies, any person who is disqualified for any of the last three foregoing reasons from acting as auditor of any other company in the group is also disqualified from acting as auditor of the holding or subsidiary thereof.

The remuneration of the auditors must be fixed by the company in general meeting or in such manner as the company in general meeting may determine except that the remuneration of any auditors appointed before the first annual general meeting or to fill any casual vacancy may be fixed by the directors.

Every auditor has at all times a right of access to the books and accounts and vouchers of the company, and may require from the officers all necessary information and explanations. He is entitled to attend general meetings and to receive notices relating thereto, and also to be heard on business which concerns him.

The auditors must make a report to the shareholders on the accounts examined by them and on every balance sheet, profit and loss account and group accounts laid before the company in general meeting, and the report must include statements on the matters mentioned in the Ninth Schedule to the Act, e.g. whether the accounts give the information required by the Act in the manner so required and present a true and fair view of the company's affairs and profit or loss.

The balance sheet must be signed by two directors, and the auditors' report must be attached thereto. The report must be read before the company in general meeting (it must not be taken as read) and be open to inspection by any shareholder, who is also entitled to be furnished with a copy of the balance sheet and auditor's report.

The auditors are essentially agents of the shareholders, and their duty is to act as a check upon the directors and to give an assurance to the shareholders that the balance sheet and report are a *bona fide* and correct statement of the affairs of the company.

MEDICAL OFFICER

The medical officer of the company is appointed to examine proposers for life assurance and to advise the directors on medical questions. Sometimes his services are also enlisted by the accident department in claim matters.

They are usually paid an annual retaining fee and attend at stated times each week, receiving additional fees for any work beyond this.

Where two officers are appointed (which is generally the case) it is customary to appoint one who is practising as a physician and one who practises as a surgeon, so that both sides of the profession may be represented. These appointments are held by leading consultants.

For the information of the tyro it may be added that surgeons are addressed as Mr. and physicians as Dr., though, of course, both are alike qualified to practise medicine, surgery, and midwifery.

SOLICITORS

A company usually appoints solicitors and their name appears on prospectuses and the like, and therefore only firms of the very highest standing are appointed, and such appointments are eagerly sought after. There is no statutory requirement for the appointment.

It is, however, the practice for such appointments to be made, and in one of our oldest companies it used to be the custom, and may still be, for a member of the firm who held the appointment to attend at the office daily, when he could be consulted by an official who wished for his assistance or advice upon any point; and even such things as "tricky" endorsements were put before him.

ARCHITECTS AND SURVEYORS

While many of the offices have occasion to avail themselves of the services of architects or surveyors, it is not usual to make a standing appointment for either of these professional advisers or to pay them a retaining fee.

In some cases where offices have big office property to manage or lend freely on mortgage, their services are much in demand; with other offices their advice and assistance are seldom needed.

STOCKBROKERS

The appointment of stockbrokers is necessary in so far that if the company desires that its shares should be quoted on the London Stock Exchange an application must be made to the committee, and a broker, a member of the Stock Exchange, must be authorized to give the committee full information as to the security and to furnish them with all particulars they may require.

Beyond this there is usually no regular appointment, though companies usually entrust their Stock Exchange business to one or more firms of stockbrokers who, being acquainted with the details of the company's Stock Exchange investments, are often able to give them valuable advice and assistance in addition to carrying out their instructions to buy or sell.

BANKERS

It is, perhaps, hardly necessary to deal with the formalities necessary for opening a bank account for a company. The relations between the insurance companies and their bankers are of a very intimate nature, and have in many cases existed since the foundation of the company. There are no special points which affect the banking accounts of insurance companies, and the ordinary relation of debtor and creditor between a banker and his customer exists.

In many cases the company's bankers hold its securities for safe custody.

CHAPTER X

CORRESPONDENCE

THERE is, perhaps, no more difficult chapter to write than this, for, as has been said, a good correspondent is born and not made. But as most insurance men have to transact a certain amount of official correspondence, it is a subject worth a little consideration.

Nowadays the typewriter and its attendant genius, the lady shorthand-typist, have become so universal that our present-day juniors cannot write a letter, and they are doubtless at a great disadvantage when in the examination room they are called upon to do so, and miss that nimble-fingered person who assists them with this task in the office. Other factors also play their part—we live in an age of telephones and post cards, and letter-writing is a lost art.

The fact that this is so should be sufficient to warn the serious student that sound preparation is necessary, and he will never regret the time spent; it will repay him a hundredfold in after life.

Correspondence, treated in its wider sense, is not the art of merely writing a letter, though that in itself is an accomplishment not easily acquired, but consists in knowing how to address a person correctly, the person or the department or authority who should be addressed, and the possession of that great mass of miscellaneous commercial information that is necessary to the man who has to conduct a large volume of commercial correspondence.

PRACTICE

The only way is, of course, practice, and a persistent endeavour to mould one's style on the best models. What are the models to choose we need not state. We do not mean text-books of commercial correspondence, but rather that great literature which is the heritage of our race. Alas! to many of the younger generation, our great classics are closed books after they leave school! If only they would remember that it is difficult to write good English if they do not read good English!

Business correspondence must not be regarded as a thing apart—something where good English does not matter. Sound style is as much to be desired in the business letter as it is in belles-lettres.

It is, of course, a subject on which much has been written and many divergent opinions expressed. But it is gratifying to note that modern exponents of the art are definitely breaking away from—in fact, vehemently condemning—the clumsy and servile phraseology of a bygone generation. They emphasize the virtues of simplicity and sincerity; they deplore the hollow and archaic wordiness which characterized the "Commercial English" of the nineteenth century, and which can now be found only in the correspondence of the old-fashioned firm or the flowery communications of the obsequious tradesman.

ESSENTIAL CHARACTERISTICS

The essential characteristics, then, of good business correspondence are: clearness, conciseness, coherence, completeness, and courtesy. A few comments will be made under each heading.

(i) **Clearness.** In order to secure clarity of expression, the first need is clarity of mind, and the second a sound style. It is helpful to endeavour to diagnose the psychology of the correspondent from his letter or any other source of information, before the general outline or "scheme" of the reply is visualized in the mind of the writer. The essential points must then be arranged in their most effective sequence. And, finally, the general argument must be developed into a logical and convincing whole. The next phase is the choice of suitable words and phrases, carefully keeping in mind, as far as possible, the mentality of one's correspondent. Technical expressions should generally be avoided unless it is fairly certain that they will be clearly understood. Otherwise, a further explanatory letter may be required and thus cause waste of time and trouble. Moreover, there is the danger of confusing the correspondent and giving a wrong impression.

Sentences should not be too long and should never be clumsy or involved. No sentence should ever have to be read twice in order to grasp its meaning. The recipient should always be able to get the idea first time. He must not only be made to understand, but it must be made impossible for him to misunderstand. Ambiguous words and phrases must always be avoided, and the sense must be made unequivocally clear, even at the cost of over-punctuation. The latter, generally speaking, is a fault; it is often a symptom

of poor English. Every punctuation mark indicates a pause in reading, and pauses mean waste of time. It stems the even flow of thought and argument. Good English needs little punctuation. But lucidity comes first, and if a natural clumsiness of style cannot be remedied, resort must be had to punctuation, even though it causes halting reading.

Repetition of a word in the same or the following sentence often reads ungracefully and sometimes indicates lack of resource. But it is better to repeat the right word than to cause ambiguity by using a doubtful synonym.

In short, a good prose style should be sedulously cultivated, as it means so much saving of time and trouble to all concerned.

(ii) **Conciseness.** The next desideratum in good letter-writing is conciseness. A long and laboured letter is troublesome to read and often unconvincing. Too much detail tends to confuse the reader and obscure the essential points. Besides, provided all the necessary matters have been clearly and adequately dealt with, conciseness means a saving of time to writer, reader, and typist. Side-issues should generally be avoided ; otherwise an attempt to side-track may be suspected. But illustrations and analogies are sometimes worth while, provided they are sound and pertinent. Repetition is a bad fault, and a general summing up is justified only in exceptional circumstances. If all the points and arguments have been clearly and concisely submitted, there should be no need for repetition or recapitulation.

(iii) **Coherence.** Another important characteristic of a good letter is coherence. The various points and arguments must hang together and make a logical and convincing whole. The facts must be carefully marshalled and the conclusions to be drawn from them must be clearly argued and concisely set out. Some consider that the most effective and satisfactory way of driving home their point is by a series of short staccato sentences that sound like a number of violent explosions. This, however, is poor style and generally undesirable. A smooth progress from facts to arguments and then from arguments to conclusions is not only more courteous and more dignified, but also more orderly and convincing.

(iv) **Completeness.** It should not be necessary to emphasize the need for dealing adequately with all the points contained in a

correspondent's letter. And yet neglect of this simple and obvious matter is by no means an uncommon fault. It is very irritating to a correspondent to have to write another letter to point out that the information he requires has not been furnished or that a question has not been fully answered. Such unbusinesslike treatment naturally tends to give a bad impression of the office and its methods. Before replying to a letter, it is a good plan to read it through very carefully, marking the various passages that require to be dealt with, and then, after writing or dictating the reply, it is a sound precaution to read through the original again to make quite sure that all the points have received adequate attention.

(v) **Courtesy.** The last, though by no means the least, essential feature in good business correspondence is courtesy. Scoring off a correspondent is seldom justified and very seldom pays. If he makes wrong statements or adduces unsound arguments, it is generally wiser, and certainly more dignified, to correct them briefly and courteously. If he is stupid, never "rub it in." Such a course only leaves a feeling of soreness, and is far less convincing than a plain statement of the true facts of the case. A truculent or acrimonious letter should generally be answered in a tone of dignified courtesy. But if this is not appreciated and is merely answered with further acrimony, it is sometimes necessary to adopt a severer strain. Some correspondents write for the sake of writing. Others imagine that they can gain their point by persistence or pertinacity. A certain measure of patience is necessary with these troublesome people. But the right moment must be chosen for stating finally and definitely that further communications will serve no useful purpose, and that the correspondence should now be regarded as closed. One further point: it is not very courteous to use the word "must."

PHRASING

With regard to minor details, above all things avoid stereotyped commercial phrases and obsolete formulas, partly because they are obviously insincere and partly because they are ungraceful English. Only the wholly unsophisticated will be deceived, and this mainly because they do not understand, while most businesslike people realize, with a shrug, that it is merely the jargon of an old-fashioned

commercial style, composed mostly of wind and having very little genuine meaning. Many of such phrases could be advantageously omitted altogether, and the rest could, without much difficulty, be translated into real English. The following are a few illustrations of expressions that should be carefully avoided on grounds of insincerity, redundancy, or clumsiness, and sometimes obscurity—"We are favoured with your esteemed commands"; "Yours of . . . to hand"; "We beg to acknowledge your favour of yesterday's date"; "In response to your esteemed favour"; "We note your remarks"; "We have yours of even date"; "We beg to enclose herewith . . ."; "The matter shall receive our usual prompt attention"; "Trusting that same is in order"; ". . . and oblige, Yours faithfully"; "Same shall be noted"; "Assuring you of our every attention"; "Trusting to receive your valued commands"; "Our Mr. So-and-so"; "Needless to say"; and many other stilted, obsolete, or wordy expressions, which could so easily be turned into clear, concise and courteous English, thereby gaining in both sense and dignity.

SLANG

It should not be necessary to mention the use of slang, but, unfortunately, there is sometimes a tendency to use colloquialisms in correspondence. For example, it may be quite permissible to say to a colleague in respect of a claim that you propose to "turn it down"; but such an expression in a letter to the claimant does not sound polite, to say the least of it. Insurance men are particularly fond of "nicknames" for things, and many of these are doubtless very appropriate, but it is better to keep them to themselves and not let them pass into general currency as has that very clumsy expression, "knock-for-knock" agreement. "Insurance jargon" is practically a language of its own. It is not good form to introduce it into conversation with the uninitiated, much less into correspondence.

SALUTATION

The most common commencement is "Dear Sir." When addressing a firm or a number of persons begin "Dear Sirs," or "Gentlemen," but never "Gents."

When writing a business letter to a lady begin " Madam " (or, if on more intimate terms, " Dear Madam ").

In the case of corporations or companies it is usual to address the particular officer concerned, such as—

The Secretary,
The Chartered Insurance Institute.
The Chief General Manager,
Martins Bank, Ltd.
The Chief Accountant,
Bank of England.

Certain people are entitled to a special form of address by virtue of their rank or the position they hold.

Correspondence with Government departments is usually commenced " Sir."

SUBSCRIPTION

The most commonly used conclusion is " Yours faithfully " ; in the case of letters from Government departments—

I am, Sir,
Your obedient Servant.

" Yours respectfully " and " Yours obediently " never need be used for insurance correspondence.

" Yours truly " is sometimes used as an alternative to " Yours faithfully." It is generally considered as being a little more intimate.

MODE OF ADDRESS

This gives rise to more difficulty, and it is not always easy to decide on the correct method. If, however, it is obvious that care has been taken to be correct, and therefore courteous, no one will take offence at a slight slip. Though it is doubtful whether the classical example of the letter addressed to " The Archbishop of Canterbury, Esq." will ever be repeated, there is still a vast amount of ignorance on the subject of how to address people.

It is customary to address everyone as esquire ; the old distinctions between people who were entitled to be so called and those who were not have disappeared, and it is well to use this in the case of all policyholders.

It is courteous to address a man in the way he desires. A man usually adopts some particular manner for a good reason, and it is

well to follow this. If it is only a whim on his part, then you please him and suffer no detriment by so doing, e.g.—

Charles S. Johnson, Esq.
A. Sidney Smith, Esq.

A graduate or a member of a learned or professional society is entitled to the letters denoting his degree or membership, e.g.—

A. S. Brown, Esq., M.A.
J. T. Black, Esq., F.R.S.
A. M. Moore, Esq., F.C.A.

More than one should seldom be used in correspondence, and if the recipient is addressed as doctor, do not put the letters denoting a doctor's degree at the end of the name; it is writing the same thing fore and aft, e.g.—

Dr. Howard Phillips, or
Howard Phillips, Esq., M.D., *not*
Dr. Howard Phillips, M.D.

It has now become customary to address all medical men as Doctor, whether or not they hold the degree of doctor. On the other hand, many other professional men who hold a degree of doctor do not commonly use it.

The bare legal description of a medical man is "registered medical practitioner," which denotes that his name is on the medical register and that he is entitled to practise medicine, surgery and midwifery; there are numerous qualifications which entitle a man to registration.

A barrister-at-law should be addressed as "Esquire," one of His Majesty's Counsel in England should be addressed as "——, Esq., K.C.," and a solicitor should be addressed as "Esquire."

A clergyman (of any recognized communion) should be addressed as The Rev., and his degrees added, if known, e.g.—

The Rev .Charles Smith, M.A., or
The Rev. Charles Smith, D.D.

Some persons like to add letters indicating the university in which they hold their degrees, viz., M.A. Cantab., B.A. London. This is unnecessary, but no harm is done in pleasing your correspondent.

Such abbreviations as J.P., L.C.C., should always be used when the addressees are entitled to them.

Naval, Military, and Air Force officers do not occasion much trouble, as the practice in the services is to write the rank beneath

the signature, and this should, of course, always be used in the reply. It used to be the custom to address junior officers as Esquire but since the first Great War it has become the practice to use the rank when addressing all officers. Care should be taken to add the initials denoting the Service or Corps where this is customary, e.g. R.N., R.E., R.A.M.C., R.A.F., and any decorations or Honours to which the officer is entitled. These can be found from the Army List, *Who's Who*, and other books of reference.

Knights should be addressed as " Sir," care being taken to write the Christian name in full, viz., Sir Charles Smith. In the case of baronets the contraction " Bt." should be added immediately after the surname, e.g. Sir John Brown, Bt., J.P. A member of Parliament, if possessed of no higher title, should be addressed as " Esq." and the letters " M.P." added, e.g.—

John Smith, Esq., M.P.

SIGNATURE

It is the general rule in the insurance world for correspondence to be conducted in the name of a titled official of the company and for letters to be signed by him or in his name. The name of the company is seldom used.

The common form used is—

Yours faithfully,

General Manager.

not

Yours faithfully,
The ..... Insurance Co. Ltd.
General Manager.

In this connexion it is well to note the precise meaning of the words *per pro.* (*per procurationem*). They mean that the writer is authorized under power of attorney to sign. Insurance companies seldom give powers of attorney except in connexion with foreign business or transactions in inscribed stocks.

The practice and methods of signing letters vary considerably. In some companies—usually the smaller ones—all letters, except formal advices bearing a printed facsimile signature, are signed by an executive officer by hand or by means of a rubber stamp.

In other companies this duty is delegated to titled officials, who sign either personally or by a rubber stamp. But in many of the largest companies the writer signs the name of the titled official to whom he is responsible, followed by his own initials. However, any letters of special importance usually bear the personal signature of the responsible official. But whatever the practice or method may be, it is necessary to provide that no letter should be signed unless and until it bears the writer's initials to indicate its accuracy in every respect—information, punctuation, spelling, etc. And where a letter contains quotations of figures, it should be independently checked and should bear the checker's initials, not only on the letter itself but also on the carbon copy, in order to fix responsibility.

POSTSCRIPTS

It has been said that addiction to postscripts is an essentially feminine habit. But the postscript often has its place, and sometimes an effective place, in business correspondence. A point may occur to the writer on reading a letter through just before signing. If it is not sufficiently important to warrant the redrafting or rewriting of the letter, its inclusion as a postscript is perfectly legitimate and saves much time. Again, there is the deliberately premeditated postscript, added entirely for emphasis or effect. And, finally, there is the hand-written postscript which, from this very fact, is always carefully read and accorded due weight.

GENERAL EFFECT

Another point of importance in connection with correspondence is the general effect and appearance of the completed letter. Bad typing, erasures, words added or altered by hand, insufficient margin, typing on both sides of the paper, smeared copying, all such defects are specially noticeable, and will often mar the general effect of even the most carefully considered letter, phrased in perfect English.

THE BODY OF THE LETTER

It is impossible to give much help in this connexion without the employment of numerous examples which the exigencies of space render impossible, but the cardinal points may be summarized—

1. Clearness and force of statement.
2. Brevity.
3. Courtesy.
4. Strict observation of grammatical rules.
5. Correct spelling.
6. Proper paragraphing.
7. Adequate margin and indenting.
8. Absence of erasures and alterations.
9. Accurate punctuation.
10. Correct use of capital letters.
11. Clear typing.
12. The avoidance of legal or technical expressions.

These are so obvious that they need no advocacy. The use of legal expressions is sometimes dangerous unless the writer is thoroughly acquainted with their exact meaning, and even then their insertion in a letter to a layman is to be deprecated. Moreover, colloquialisms, however time-saving, should never be used.

"WITHOUT PREJUDICE"

The addition of these words to a letter means that the letter and the correspondence of which it forms a part shall not be admissible as evidence. The rule has received judicial sanction in the case of *La Roche* v. *Armstrong*, [1922] 1 K.B. 485.

LETTER-COPYING

The press-copying of letters is now a thing of the past, except in the solicitor's office. Appreciating the fact that a carbon copy would not be accepted as evidence, whereas a press copy in chronological order in a bound book would be accepted, they cling to the old method. But the instances where any office correspondence would be so required are so very rare that this method has been generally abandoned in favour of the modern and much more convenient carbon copy.

POST OFFICE REGULATIONS

The regulations of the Post Office are extensive and peculiar, and anyone who cares to devote a few hours to the study of the *Post Office Guide* will be amply repaid. There is nothing more

annoying than to find that policyholders have been surcharged because of a breach of regulations on the part of the company. And there are many pitfalls for the unwary. The members of the postal department should therefore endeavour to become acquainted with at least the principal regulations.

HANDWRITING

Though perhaps hardly germane to the subject, it may be remarked that good handwriting does count. It often counts in very unexpected ways and at very unexpected times, and the idea which seems to prevail at the present time that it is bad form to write neatly and carefully cannot be condemned too strongly. The unfortunate tendency nowadays is for handwriting to have either character without legibility or legibility without character. A happy combination of the two is rare. And yet its importance cannot be over-emphasized.

In writing letters for examination purposes, it is perhaps best to write the letter exactly as would be done in actual practice. That is, assume that you are using headed letter paper (there being no necessity to write the name of a fictitious insurance company at the head with an address which is too frequently made the occasion of some misplaced attempt at humour) and put in the name and address of the recipient, the proper heading, and leave the letter ready for signature.

HEADINGS

Headings should always be used, both in examination work and in practice. It is hopeless to expect correspondents to quote policy numbers or to give references unless you set them an example.

CHAPTER XI

ADVERTISING

THE general principles of advertising may be briefly summarized as follows: (i) to attract attention, (ii) to create interest, (iii) to carry conviction, (iv) to compel action.

COLLECTIVE ADVERTISING

Probably in these days no one will be found to deny that it pays to advertise; the question really is how to spend the appropriation for advertising to the best advantage. In this connexion there has been a good deal of discussion lately as to the advisability of collective advertising of insurance. The basic idea of collective advertising is that it shall bring one commodity or service to the notice of the public and not advocate the goods or service of any one particular company. The circumstances of our business are generally unsuitable for a widespread application of this idea. The interests of the offices vary; one office caters for certain sections of business, its rates for some classes of policy are better than those of rival offices; some have schemes that appeal to particular classes of the community; and some cater for certain professions, and therefore a broadcast invitation to "Carry more insurance" would probably not be a paying investment for the offices. There are, however, occasions when collective advertising is well worth while. For instance, the British Insurance Association had a stand at the 1949 British Industries Fair with the object of implanting the idea of British insurance in the minds of buyers from overseas.

ADVERTISING AGENTS

The individual company can adopt one of two methods. It can do the work itself, or it can utilize the services of an advertising agent. Advertising agents are of course experts; they know the best terms that can be obtained and they have facilities for obtaining sketches and drawings and for copy-writing. At the same time, all such aids are available to the insurance official, and if the right method is adopted, the staff will be found to supply more ideas than the management is prepared to adopt. The trade newspapers are

usually prepared to put the services of their artists at an advertiser's disposal, and these men have the advantage of knowing what will catch the reader's eye.

As a proof of the statement that the members of the staff can be of real service, we have the staff magazines which have become so universal during recent years. They contain some excellent matter.

Whatever method is adopted, the matter has to be controlled and points finally decided by the company. We believe there is no such thing as giving an advertising *carte blanche*, even within financial limits.

APPROPRIATION

This is a word in common use in advertising circles as indicating the amount of money the advertiser is prepared to spend during a specified period on advertising.

At the commencement of the year the company should decide what amount it is prepared to spend on advertising during the year, and settle how this is to be divided among the various schemes.

METHODS OF ADVERTISING

Advertising takes many forms, and new methods are always being sought for; but the most generally used methods are slogans, gifts, showcards, posters, circulars, films, broadcasting, railway station and public vehicle displays, and newspapers and other publications; a few remarks are made under each of these headings.

SLOGANS

The word "slogan" comes from old Gaelic, meaning "war cry."

A slogan may be described as any phrase containing an idea whose acceptance by readers would be to the advertiser's interest. Often a slogan is spoken of as a catch-line or a catch-word. Examples will be seen on every hoarding and in every newspaper.

This is a most valuable asset for purposes of publicity, and if the thing is so persistently used that it comes into general use, such as " Good morning, have you used someone's soap ? " then it is indeed valuable.

Very few offices have developed this method of advertising except to a limited extent in leaflets, and prospectuses.

GIFTS

Among the usual forms which gifts to the public take are calendars, diaries, blotters, penknives, pencils, pouches, season ticket cases, cigarette holders, ash-trays, paper-weights, match-boxes, etc.

This, at one time, was a very favourite means with insurance companies, but the tariff offices came to an arrangement to restrict their expenditure in this direction.

Probably the thing had gone too far and was overdone, but as an advertising medium such things are undoubtedly good. They are kept for some time, and their use brings the name of the company regularly before the user, but the trouble is that they do not always get into the hands of prospective insured.

CIRCULARS

This is a method of advertising which in the past has been much resorted to by insurance companies, but has of late years fallen into disfavour.

Nevertheless, circulars can be usefully employed as a means of insurance publicity, especially in cases where there is some new class of business or some new scheme to introduce, and the student should, if only for examination purposes, make himself familiar with some of the points involved.

He should practise the drafting of circulars in plain straightforward language, which will attract and hold the attention of the reader, and pay some attention to display and arrangement of the matter.

The ability to contrive suitable headings and slogans is a useful talent. The man who can employ a sense of humour in this way without infringing the canons of good taste is a very valuable asset to any office.

The exigencies of space forbid the insertion of anything in the way of model circulars ; the best thing to do is to make a collection of those issued by one's own office and by other offices, study their good points, and try to rectify their bad points.

ARMORIAL BEARINGS

Many companies use on their policies, prospectuses and letter paper, coats-of-arms or other heraldic designs. These are considered

to be armorial bearings, and formerly required a licence, the annual charge for which was one guinea. This duty, always the subject of a good deal of adverse comment, was abolished in a recent Budget.

The use of these is regarded by the companies as being particularly useful as reminding the public of the old standing of the company.

A grant of arms must be obtained from the College of Heralds, Queen Victoria Street, London. It will be remembered that the Chartered Insurance Institute obtained a grant of arms some years ago.

The use of unauthorized devices is to be deprecated, offending as they generally do against the laws of heraldry.

SHOWCARDS AND POSTERS

This is a form of advertising largely used by all insurance companies, and it has been so long in vogue that more than one company is proud to exhibit specimens of their old showcards as proof of the years they have been established. These, when exhibited in the public offices of solicitors, auctioneers, and other business people, are undoubtedly a very valuable means of advertising. Their drawback is that they want replenishing frequently, especially if they contain any information likely to date them, such as a calendar, the amount paid in claims, the names of directors or officers, and so on, and they are expensive if framed and glazed.

The small poster is a cheap substitute for the showcard. The large poster is usually intended for hoardings at suitable locations, e.g. stations, and it needs to be replaced from time to time.

Metal tablets are used as a more permanent form of advertisement for out of doors. Opaque glass tablets for affixing to windows are sometimes used.

RAILWAY STATIONS AND PUBLIC VEHICLES

Little need be said of advertising in stations or on vehicles. The merits and demerits are known to all. The great thing to remember is that it is often a jaded and bad-tempered man who has to read the advertisements on a railway platform or in a public vehicle, and he does it only as a last resource. Therefore it needs something appealing to catch his attention and something compelling to retain

it, and statements of subscribed and issued capital, even if in strict accordance with the Assurance Companies Act, 1909, do not do this.

FILMS

A well-conceived film might be a successful though expensive means of advertising. There are, however, definite limits to the tolerance of an audience who have paid to see a film. One way to satisfy them is to embody the advertisement in a humorous film, but it is questionable whether insurance is a suitable subject for such treatment.

BROADCASTING

Broadcasting may be classed as a possibility but not a probability. We are not likely to be troubled in this way in this country so far as advertising by individual companies is concerned.

ELECTRIC SIGNS

This form of advertisement is again becoming a feature of all our big cities. The fact that so little can be said probably precludes its general adoption, though one or two offices have a very fine display in London. The most popular method in this direction is by means of Neon tubes.

OFFICE BUILDINGS

Perhaps the very best advertisements a company can have are the office buildings which it occupies. Many companies have built handsome blocks of buildings for their use in London and throughout the world, and undoubtedly have in very many cases added to the architectural beauty of the particular city. Even when they do not possess a building, a good deal can be accomplished by a good style of office fitting, and if a similar style is adopted throughout all the branch offices it tends to become familiar to the passer-by, who naturally associates such and such a style with a certain office. It is the principle adopted by the multiple shops; you can pick out their familiar shopfronts anywhere, and instinctively wander in to make your purchases.

In London many of the offices, which are so fortunate as to be the

possessors of the signs which formerly made our city streets so picturesque, still use them, and there is no better advertisement. Perhaps equally good is a clock. Most British cities are sadly lacking in public clocks, and a well-placed clock that shows the correct time is a boon which will bring many a blessing and, incidentally, many a proposal to the benefactor.

The question of lettering on the windows is one on which opinions differ. No doubt it is often overdone, but still good lettering on the windows improves most offices and is a most valuable advertising medium. Name plates also should be carefully designed and not overcrowded with wording, and if made of bronze with enamel lettering, require no polishing, and look better than the old-fashioned brass plate.

The outside of the office is important, but the inside of the office is equally important; there is no better advertisement than an office that has been obviously planned with a view to the comfort of the staff and the convenience of the public.

NEWSPAPERS AND OTHER PUBLICATIONS

This is the great field of insurance advertising. The mere fact of its popularity proves its efficiency, and probably the companies spend the greater part of their allocations on this medium.

Even the amount allocated to press advertising has to be again allotted to the various classes of publications, and the claims of the daily newspapers (together with their special issues), the local papers, the trade, professional and technical papers, and what may be termed the recreative press, have to be considered. Each of these different classes of publication requires a different style of advertisement. What would be suitable for the columns of a legal journal or a church newspaper would probably not be suitable for the penny picture paper.

Whatever the publication, however, the object of the advertisement is the same. It is to sell insurance; in other words, advertising may be termed "printed salesmanship," and the one thing to remember is to centre the thoughts on the person addressed. The reader of an advertisement is, of course, aware that others may read it also, yet he does not like to be considered as a negligible part of a vast audience. The man who is reputed to be a most

highly paid editorial writer has his articles widely reprinted and read all over the world. Yet the quality which has earned for him his great position is not his ability to shout sermons loud enough to be heard by millions of people, but the power to address himself to just one man, who is representative of the many. So well does he picture his reader, that each reader considers himself the one man. The same point of view in copy writing enables the entire advertisement to speak to many readers at one time but intimately to each.

It is very similar with public speaking; the first thing to do is to fix your eye on one man in the audience and speak to him.

A well-known writer has divided the advertising of a product into three stages—

1. *The Pioneering Stage,* in which the advertiser endeavours to present to the public notice; to show the reader that he has need for a certain thing and that that need can be supplied.

2. *The Competitive Stage,* which is reached when people have learned to recognize their need, but others have appeared on the scene offering the same thing, and the object of the advertisement is to show that the advertiser has the best to sell.

3. *The Retentive Stage,* in which the particular thing advertised has become so well known that the advertiser sits back satisfied merely to retain the clientele already established.

It may, perhaps, be said that insurance advertising is in all three stages at the same time, for there is need for a deal of pioneering work. There is competition enough, and business wants retaining. But even if this is so, we mention this analysis to emphasize how necessary it is to have definitely in mind what you want to do. The copy that would be suitable for the introduction of a new class of policy would be very different from that used for the advertisement inserted with the idea of keeping the name of the office before the public eye.

The writing of copy is no easy matter, and insurance companies are seldom prepared to give the copy writer much scope for the display of his abilities. Too often insurance advertisements consist of little more than the name and address of the company and some figures. This, with a little information as to business transacted, can be made into a very attractive advertisement if the company's

heraldic badge is incorporated, and it has generally one great advantage that it provides plenty of "white." The poor advertisement nearly always contains too much matter; it requires a brave man to pay for "white," but it is worth it if he has any eye for display.

Illustrations are not often resorted to, and where used have often been of a poor quality; pictures of maids falling downstairs, a cigarette setting the tablecloth alight, and things of that kind. The use of illustration, however, is likely to be generally adopted in the future, and it will be all to the good from the advertising point of view. A glance through the advertisement pages of a newspaper or magazine will show how far insurance advertising lags behind in this respect.

Advertisements are often inserted in a series; the same copy is not used every time, but each advertisement is used for telling some definite part of the story, finally leading up to the culmination at the end of the series.

Humour and humorous illustrations are being introduced more and more into the modern advertisement, and it certainly has a place, but only to a limited extent, for our purposes; on the other hand, little objection can be taken to the use of slogans.

Advertisements are often keyed; that is, some means are adopted whereby the response to the particular advertisement can be gauged. This is usually done by asking that inquiries shall be addressed to a certain department, or prospectus No. .... be asked for. If a coupon has to be filled up, this bears some distinctive mark. There is, however, no method which provides anything more than an approximation, and the only test that the expenditure on advertising is justifying itself is whether the company's business is increasing or not.

Advertising space is usually purchased by the page, or half, or quarter page, by the column or by the inch, and the rates vary according to the class of publication and its circulation. The rates also vary according to position: a front page is dearer than an inside page, and facing matter is a better position than a space in a part devoted solely to advertisements.

At the present time the great dailies and other papers all publish their circulation figures, which are often verified by professional

accountants, but there are still papers which will not disclose this information. It is very difficult to judge whether the rates charged are reasonable without this knowledge.

In buying advertising space the circulation is a most important factor, and one paper at double the rate may be really a better proposition than another with only a third of its rival's circulation. It must not be overlooked that there are cases where the circulation is largely exceeded by the number who buy the paper, e.g. *Punch*. Of the technique of printing the student need trouble himself very little for the purposes of the Institute's Examination; he would, however, do well to make himself familiar with the name of the different faces of type in general use, names of the different sizes of paper, and the marks which are used in proof reading.

ANNUALS

These of course, have certain advantages inasmuch as they are kept for a long period and frequently referred to. On the other hand, the circulation is not so large. Some of these publications are a recognized source of information to which people naturally turn for information on such matters as insurance.

Covers are charged at higher rates than inside pages, and the front cover is more expensive than the back. The advertisement often takes the form of a bookmark, either fixed or loose.

SUMMARY

It is clearly impossible to deal adequately with such a subject as this within the confines of a single chapter, but it is hoped that sufficient has been said to suggest to the student the lines upon which his studies may be directed, and he should bear the following main points constantly in mind—

1. *Object*. To aid salesmanship by making known by "Proclamation and Explanation."

2. *Method*. To appeal to the sense of need, or safety, or advantage. To awaken interest and, if possible, to stimulate inquiry.

3. *Medium*. To find and adopt the most effective means of appeal, e.g. press, posters, circulars, etc.

4. *Scheme*. To work out a well considered scheme on systematic

lines, e.g. a steady or intensive bombardment, or a surprise attack, or a combination of methods.

5. *Time.* To choose the psychological moment for attack after long or steady preparation, or otherwise. Or to create an expectancy or feeling of suspense, and then to supply the fulfilment at the right time.

6. *Follow-up.* To take the fullest advantage of advertisement by the personal canvass or follow-up.

CHAPTER XII

BRANCH CONTROL AND AUDITS

THE subject of branch control is not specifically mentioned in the syllabus, but it obviously forms part of the examination as coming within the general heading "Insurance Administration." The words have acquired a definite meaning in the insurance world as signifying the ways and means by which liaison is maintained between the head office and branch offices, and uniformity of underwriting and business practice preserved. It is a difficult topic to deal with in a textbook, as it is an entirely domestic matter for each individual office, and therefore any remarks that can be offered here must be of a purely general character, and the student must be left to study the details of the system as it is carried out in his own office.

The subject is of great importance in view of the bearing which it has on both the general organization of the business and the question of expenses, which is ever exercising the minds of those responsible. In his presidential address to the Insurance Institute of London a few years back, Mr. R. Y. Sketch, F.C.I.I., dealt fully with this subject and gave some very interesting particulars which he had gleaned from the replies to a questionnaire sent to a number of leading offices. These show that the position differs widely with different offices, and the student will be careful to appreciate that whatever system he is accustomed to in his own particular office is possibly not to be found in operation elsewhere. In short, it may be said that branches vary in status from what is nothing more than "glorified" agencies to self-contained insurance offices.

The point to decide is what is the ideal to aim at. Is it better to concentrate all the work in one central office, leaving the branch offices to devote themselves to business getting and business retaining, and to deal with the local claims, or is it better to make each office a complete unit and able to do everything?

CENTRALIZATION—DECENTRALIZATION

The question of the respective merits of centralization and decentralization is important and must be considered by all persons

engaged in organizations operating through branches. There are arguments for and against each system and it is generally found necessary to pursue a course somewhere between the two extremes in order to secure the utmost economy without loss of efficiency. This question is of vital importance to insurance companies which at all times have to keep a careful watch on expense ratios.

By centralization is meant the concentration of all work as far as possible at the head office, e.g. preparing all policies, renewals and accounts there, and reducing the branch offices to the position of being mere receiving depots. It will be realized that mechanization is the logical sequence of this idea. After the work has been concentrated in one place the use of machines enables it to be done as expeditiously and cheaply as possible.

Decentralization on the other hand follows the opposite course. Under this system the branch offices are as far as possible self-contained, and the head office is merely the chief administration. Each branch thus becomes, in effect, an insurance company in miniature; it does its own underwriting and claims settling, and prepares its own policies, renewal notices and accounts; in short, it trades on its own, subject to head office control, and sends in the profit.

The main advantage to be gained by centralization is that it results in economies. It enables the company to reduce its expenditure on printing and stationery as large quantities can be ordered to effect economies in labour costs and at the same time to increase efficiency by the use of machines, and to organize the work on the most efficient lines. It must be remembered, however, that the head offices of most companies are situated in the large cities where rents and rates are heavy and they are expensive places in which to do routine work.

Against the merits of centralization must be weighed the advantages of decentralization. In the first place it is undoubtedly possible to give a better service to the public by decentralization. The various points which continually arise can be more expeditiously dealt with under this system instead of having to incur the delay of referring to the head office. Policies can be issued more rapidly, rectification of errors can be made more easily, and the many queries raised by agents and policyholders can be answered more efficiently

and with less delay. All these points, although small, are important as they tend to prevent any possible friction between the company and its policyholders. In short, decentralization makes for greater flexibility.

Although both systems have their merits and demerits it is generally conceded that the solution lies in finding the happy medium between centralization and decentralization.

The general tendency seems to be to centralize all routine work where full advantage can be taken of the benefits of mechanization, but at the same time to practise decentralization by giving the branch offices greater powers in general matters.

ACCEPTANCES

Practically all branches, except in the case of some purely life offices, have power of acceptance within prescribed limits. In some classes of business, such as private house fire and burglary, plate glass, etc., the power extends to all proposals; in other cases it is limited to certain amounts, and still in other cases all risks of a certain class have to be submitted to head office, e.g. all proposals for administration bonds would have to be submitted.

Where there is a necessity for immediate cover, the authority is usually wider than in cases where the delay of a couple of days (as in the case of an administration bond) is not so important.

REINSURANCES

These are arranged at the branch or head office according to the powers of acceptance given to the branch. If the branch has wide powers of acceptance, its duty as to reinsurance would naturally be equally extensive, though the present-day wide use of treaty facilities materially affects the question.

POLICIES

This is a point on which there is a wide divergence of practice. In most cases the straightforward, simple policies are prepared at the branch office, whereas those documents requiring the seal of the company (as in the case of many fidelity guarantee bonds) must necessarily be dealt with at the head office. Life policies are often prepared by head offices.

The practice as to records and daily advices to head office of policies issued varies greatly.

It may be of some advantage for a company to have a complete record at one place of all the risks to which it is committed. On the other hand, it is to be questioned whether there is real need of such information to be centralized in one office. In so far as it means duplicating work it should be avoided, but a certain amount of this must be done in order to control the underwriting.

INDEXING

So far as risk indexing is concerned, the general practice is for it to be done locally. So far as the indexing of policy owners is concerned, this is in most cases done locally, but indexes may also be maintained at the head offices, especially when the policies are wholly or in part issued there.

RENEWALS

The maintenance of renewal records and the preparation of renewal notices and receipts may be left to the branch offices, but the tendency is for this work to be centralized at the head office where full advantage can be taken of the benefits of mechanization.

AGENTS' ACCOUNTS

Whether the agents' accounts are kept at the branches or at the head office will mainly depend upon which of the above methods is adopted for renewals.

CLAIMS

In the case of life claims the papers are usually submitted to head office for payment; fire claims of any magnitude are placed in the hands of assessors; and accident claims are dealt with locally, the branch office being allowed a free hand within certain limits, a head office official visiting periodically and assisting with the difficult cases.

AGENCY

Though agency appointment letters are usually prepared by head office, the indexes, records, and the like are usually left in branch hands.

The object of "control" is to ensure uniformity of policy and practice, and to keep the several branch offices in touch with the head office of the company. The tendency is to leave matters more and more in the hands of branch officials, and to avoid anything in the way of duplication.

This control is usually carried out by proposals, policy drafts, claim papers, and so on, being sent to head office, and by the periodical furnishing of lists of acceptances and claims paid sheets, and this keeps the head office in touch with the daily happenings at the branch. There is, however, a further method by means of periodical visits, either by an official specially appointed for the duty, or by one of the principal officers of the company. These visits should be frequent and regular, and might well be supplemented by visits from the branch manager to head office; in fact, the visits should alternate.

In most offices the senior executive officer is unable to undertake branch visitation, but the agency manager, the fire manager, the accident manager will probably take a trip round the branches; and it should be an understood thing that every branch official, however junior, when he visits the city in which the head office is situated, is expected to call at the office, where he will receive a welcome and a handshake. It makes all the difference, and one sees the effect when he goes back to his branch.

PROFESSIONAL AND INTERNAL AUDITS

The different systems employed by insurance companies have the same ultimate object in view, i.e. the preparation of the annual accounts. While the same end is common to all, the system which is best suited to a purely marine office, or even to the marine department of a composite office, would in all probability be found practically useless if applied to fire or accident business.

A universal application of a particular system would not meet the needs of all offices transacting a similar class of business.

For example, an accident office might obtain its business through the introductions of a very large number of agencies, with a comparatively small number of debits to each particular agency. Another accident office might have a premium income equally large, but the component items might be much fewer in number.

Further, where the principal business transacted is of a type which undergoes frequent revision with constant alterations in insured values and renewal premiums, such as is found in the case of motor insurance business, special arrangements may be needed to meet the requirements peculiar to such business.

Another important factor which requires consideration is whether centralization or decentralization of accounts is favoured by the management of an office. A company having a large number of self-contained branches throughout the kingdom would have its own particular problems to solve, and conditions, as a general rule, vary from those which exist in the case of an office which treats its branches (for accountancy purposes) on the lines of agencies.

It is generally conceded that the average insurance company's premium income is made up of an enormous number of individual premiums. If the professional auditors of an insurance company of any size were called upon to check every detail which ultimately finds its way into the accounts, a special staff would need to be constantly employed.

To obviate any such necessity, an audit programme is usually agreed upon between the executive of an insurance company and the professional auditors, by the terms of which it is laid down how far an internal audit shall be carried out by the company's officials.

The correctness of premium calculations and the due invitation of renewals, not to mention many other items of the ordinary routine in an insurance office, are matters which are frequently left to the attention of members of the staff largely engaged in such checking work.

The balancing of the ledgers and the preparation of the final accounts are also matters which come within the province of the accountant's department; the professional auditors' duties are mainly directed toward *proving* the accuracy of the accounts—not the preparation thereof.

BRANCH AUDITS

Variety is as noticeable in the methods of branch auditing as in the systems employed in account-keeping.

Many offices have a branch auditor attached to the staff. On the other hand, some offices are of opinion that the work is best left to the professional auditor.

Should it be found necessary to report any branch irregularities—an unpleasant task for anyone to perform—a more impersonal note is struck where the subsequent investigations are carried out by people other than members of a company's staff. Irregularities and defalcations are comparatively rare in the insurance world, but are by no means unknown, and the best means of averting troubles of this nature is to adopt a satisfactory system of check.

The following is an outline of an audit of a branch, as conducted by a company's travelling auditor.

1. The first task will consist of checking the petty cash to date, with the production of the cash balance. The bank accounts will be verified and reconciliation made with the cash books as follows—

Pass Book balance .	£
Less unpaid cheques .	£
Plus cheques not cleared	
	£

2. The premium debit journals will be examined and ledger postings checked or tested.

3. The premium credit journals will also receive similar treatment, the lapsed receipts, etc., being produced in substantiation of the credit entries.

4. The cash book postings will be checked and all payments, by way of both cheque payments and petty cash payments, duly vouched.

Premiums are frequently remitted in advance of premium debit, and note will be made (either wholly or in part) to see that allowance has been made for such advance payments in arriving at the final reconciliation. Cases have occurred where items of cash paid in advance have been utilized in covering a cash deficiency.

5. The receiving cashier will account for all unpaid "direct collections" by production of the policies or renewal receipts.

6. The receipt books will be checked against the receipts cash

books to see that all receipts issued have been accounted for, by either " cash " or an agency debit, as the case may be. Variations will occur in this connexion, owing to the systems of loose receipts now in fairly general use.

7. Where a branch is responsible for the collection of rents from sub-tenants, or sundry receipts of a similar nature, the branch auditor will see whether any such sums have been collected.

8. The branch expenses accounts will be scrutinized and any apparent overcharges queried.

9. Cover note counterfoils will, in the case of fire and accident business at least, be examined to see that risks of short duration have resulted in time on risk charges, or explanation given if charge not made.

10. Claim papers are sometimes scrutinized and checked.

11. The postage account is usually examined, even if only to note whether the total of expenditure is in line with that of a foregoing period.

12. Statements of accounts will be sent to all agents, the dispatch of such statements being under the personal direction of the auditor.

As the personnel at a branch is often few in number, there will be greater opportunity for irregularities to occur than would be possible at head office, and for this reason it is important for the branch auditor to know that all accounts have been actually sent out.

If considered necessary, the statements of account may be sent with a covering letter requesting confirmation to head office. Where there is every reason to believe that the company's branch accounts are in order, the verification of dispatch of accounts will usually be deemed a sufficient safeguard. Comparison might be made with outstanding balances as against the outstanding balances of a previous period.

Where an agent has been in the habit of paying his accounts promptly and at the time of audit there is a balance overdue, inquiry should be made as to the reason. Discrepancies are on occasion brought to light as the result of investigations on these lines.

13. The auditor will see that all charges due from the company have been paid or accounted for.

14. Vouchers in respect of agent's commission, etc., will be carefully checked.

An agent might not be on the " effective list," and it is important to see that any commission on old cases has not been mishandled.

According to the size of the branch, reinsurance transactions might require the auditor's attention, but settlement with reinsurers, especially as regards treaty accounts, is commonly made from head office.

It is now a very common practice to arrange for premiums and other receipts at branches to be paid in daily to the credit of the company's head office banking account, and for funds for branch outgoings to be supplied by means of cheques from head office, either as and when required or else on the imprest system. By thus keeping the incoming and outgoing cash separate and placing the cash received beyond the power of the branch office once it has been paid in, the work of checking is much simplified and the possibility of a defalcation greatly reduced.

In the same way at head offices most of the drawing is done by means of minor accounts kept on the imprest system (or, alternatively, replenished as occasion demands) on which officials can operate, the main account requiring the signatures of one or more directors, together with the signature of a member of the executive.

CHAPTER XIII

AGENCY

THE student will be expected to be able to show an acquaintance with the routine and work of the agency manager's department and the principles upon which the agency system of an up-to-date office is organized. In addition, some knowledge of agency law and of the duties of an agency inspector is probably expected.

Throughout the following pages it has been assumed that the office works on a centralized method and does not decentralize; but *mutatis mutandis* the comments will apply whichever system is in vogue.

The agents referred to are the spare time agents, upon whom the composite offices rely for their business. The full time agent (so called) of the industrial life office, who is a servant of the office, has been ignored; his case would give rise to very different considerations and would need separate treatment.

The broker has not been specially referred to. He devotes his whole time to the business, and he is usually the agent of the insured. He takes his business to various offices and does not represent one or two offices only, as does an agent.

The offices are prepared to pay commission to members of the legal and accountancy professions without the formality of an agency appointment.

THE AGENCY MANAGER

The agency manager is the official in charge of the business-getting staff of the company. He controls the numerous agency inspectors attached to the various branch offices and stationed throughout the country, and his duty is to train and supervise his staff with the object of seeing that his company is adequately represented by agents throughout the country, that the flow of new proposals is maintained and increased whenever possible, and that the renewals are retained.

He is generally a man with many years of experience of field

work as an inspector, and the best criterion of his success in the business is his ability to train men in field work.

To a certain extent the successful outdoor man is born and not made, but there is a good deal more making required than was at one time thought to be necessary. The old idea that all that was necessary was a hail-fellow-well-met air has gone; something more is now required. The public expects that the man who comes to see them about insurance shall have at least a good general working knowledge of the principal sections of the business, and a knowledge of human nature is a necessary qualification, for the inspector has to meet all sorts and conditions of men and must be able to deal with their varying needs and moods. This knowledge can be gained by study and experience. The study need not be discussed here; every young insurance man knows what he should do, and the experience can best be gained inside the office for a few years, and then under the tutelage of a senior inspector.

The problem of finding the right sort of agent is a difficult one, but the finding does not end the matter. He has to be coaxed into productiveness and then has to be watched and tended, for he is a very tender plant, and when he has reached the production stage he must be guarded with assiduity, for there are rivals in the field. Speaking generally, however, the agent is blessed with a full share of gratitude, and he does not readily forget help and encouragement that has been given him in times past, and he is not easily beguiled into deserting his first love.

The problems that arise owing to the varying terms of commission that are allowed by different companies are beyond the purpose of this present chapter; they are very real and are not easy of solution, but that is part of the inspector's job, as are the methods of obtaining and retaining business. These must be left to other pens.

The organization of the agency department varies considerably with the different offices, but there are a few points which are generally conceded to be common ground.

INDEXES OF AGENTS

It is necessary that there should be at least two indexes of agents, one in alphabetical order and the other arranged geographically, that is, under towns or in districts.

These indexes are usually kept on the card system, and the card would give at least the following particulars—

1. Name.
2. Address.
3. Occupation.
4. Date of appointment or reference number to appointment papers.
5. Terms of commission.
6. Whether cash or credit (and if so, terms).
7. Branch and inspector to whom attached.
8. Other information, such as early closing day. Name of man who deals with insurance matters. Times to avoid when calling, and so on.

Probably the agents attached to each inspector will also be carded and indexed, and steps taken to see that each agent is periodically visited. Though an inspector will naturally enough be keen to give attention to an agent who is producing new business, he will at the same time be tempted to neglect those who are not, and the matter will need looking into.

Notes will also be made on these cards of agents who have become unproductive, and when it is certain that no business can be expected from them the cards will be removed to the "non-effective" index record.

It is well not to destroy these cards simply because the agency has been non-effective. The agency may be revived in later years, and the fact that the man has done business in the past serves, at any rate, as an introduction for the inspector.

Agents are not all of the same standing and calibre, and in some cases it is quite useless sending circulars, stationery, and so on, and this information will also be noted.

RECORDS OF BUSINESS

It is not merely necessary to get business, but to get profitable business, and therefore a means must be devised for ascertaining the experience of each agent's account. It is clearly bad policy to spend time and money in seeking proposals from an agent whose business shows a loss.

This information can, to a large extent, be obtained from the

accounts and claims departments, and a liaison should be established with these departments, and a system of collecting, and, if necessary, amplifying the information they supply should be established.

One method of effecting this is for all claim payments and salvages (but not reinsurance recoveries) to be posted to card ledgers under each individual agency of each branch office, and agreement effected with the claims accounts in the " nominal " ledgers. The agents ledger accounts are analysed at the end of each year, and premiums less returns listed, together with claims figures. Reinsurance accounts are also analysed in similar manner in order to ascertain whether " reinsurance recovery ratio " is in keeping with " paid claims ratio."

AGENTS WHO INTRODUCE ONE CLASS OF BUSINESS ONLY

Though the agent who devotes himself to one class of business is rapidly disappearing, if he has not quite gone out of existence, there are still a large number of agents who do only one class of insurance with a particular office, and some means must be devised of being able readily to ascertain these particular agents. For instance, if an agent does only fire business with the office, it is useless bombarding him with motor prospectuses, and so on.

INSPECTORS' REPORTS AND RETURNS

There is probably nothing the inspector hates more than making out his weekly return, but the report is a necessary evil which cannot be dispensed with.

Any idea that the purpose of these returns is solely to check the inspector's expenses and to ensure that he is not wasting his time, should be put out of mind once and for all. If a man intends to slack, no weekly report will prevent his doing so ; its purpose is that the official responsible can see that the company's representatives are being properly looked after, and that the agency staff of the office is being utilized to the best advantage. That it cannot by itself show that this is or is not being done is obvious, but it is one simple method of control, and is really not a very onerous one when all is said and done.

INSPECTORS' EXPENSES

It is an important duty of the agency department to check the travelling and other expenses of the inspectors, and this is not an easy matter. The checking is to prevent waste and extravagance on the part of the inspectors.

The question of inspectors' expenses is a thorny one and needs to be considered with a liberal mind, but it is a subject which cannot be neglected.

COLLECTION OF AGENTS' ACCOUNTS

The duty of collecting agents' outstanding accounts is frequently laid upon the agency department, and is one which requires firm and tactful handling.

AGENCY ALTERATIONS

It is generally the duty of the agency department to see that all agency alterations, such as changes in name and address of agents and the like, are correctly recorded and carried through the books. Firms frequently change their names or convert their businesses into limited companies, and nothing is more annoying to them than to receive letters, notices and receipts in the old name, and it betrays a lack of system on the part of the office.

AGENCY CANCELLATIONS

In the same way it is necessary, where agencies have been cancelled, for the registers, etc., to be similarly amended. An omission may give rise to very serious consequences. In fact, it is generally desirable to communicate the fact that the agency has been cancelled to all holders of policies introduced by the agent. If they have been accustomed for many years to pay their premiums to the agent, they would be entitled to continue to do so until the fact of the cancellation was brought to their notice.

VERIFICATION OF AGENCIES

In a large office it is essential that all proposals should pass through the agency department in order that all agencies stated may be verified. In a small office probably the name of each agent

is known to every member of the staff, but in a big office this is quite impossible, and not only is it necessary to see that the agency is correctly entered on the papers, but that such agencies have been granted, or, if they have at one time existed, that they have not been cancelled.

AGENCY APPLICATIONS

It is usual for offices to ask for a formal application from prospective agents.

They are usually asked to fill up a form requiring the following information—

1. Name and address.
2. Age.
3. Business.
4. Whether or not a householder.
5. Whether insured with the company, if so, giving particulars.
6. Whether an agent for any other company.
7. Names, addresses, and occupations of two references.

On receipt of such an application, which is generally accompanied by a report from the inspector who is instrumental in securing it, the files are searched for any information about the proposed agent, the references are communicated with, and other inquiries made, and if all is satisfactory the application is submitted to the Board.

As a rule, these applications are submitted in bulk at periodical intervals, and not individually, but they are invariably submitted in some form or other. In fact the F.O.C. regulations require that this should be done.

AGENCY APPOINTMENTS

On the acceptance of the application for an agency, it is usual to issue a letter of appointment, which usually contains the following—

1. Formal appointment.
2. Duties of agent.
3. Scope of agent's authority.
4. Method of dealing with proposals.
5. Interim cover.
6. Payment of accounts.

(7) Agents' own insurances—special requirements as to payment of premium.

(8) Cancellation of agency.

(9) Terms of commission.

The appointment letter given is for a " credit " agency. In many cases only a " cash " agency is granted, viz. the agent has no authority to collect premiums on behalf of the company, and the terms of the letter of appointment would be altered accordingly.

The terms of these appointments differ considerably in detail, and every opportunity should be taken of perusing various specimens, and the one given above must only be taken as indicating the form which these documents take.

In some appointments the appointee is designated special agent, which is a more exact description of his legal position, and sometimes the word " representative " is used. The exact word used does not matter so long as the terms of the agency are clearly defined.

LEGAL ASPECT

It is impossible to deal fully here with the legal aspect of the subject, and the student is advised to devote some time to the perusal of one of the many excellent text-books on agency.

An agent is one who is employed to do anything in the place of another, called the " principal." It must be noted, however, that agency is not mere employment, but employment for the purpose of putting the principal into legal relations with others, i.e. to establish privity of contract between parties who, but for such agency, might be unknown to each other. Agencies may be broadly divided into three classes, viz.—

1. *Special*, viz. those who have authority to do a specific act.

2. *General*, viz. those who may do anything coming within certain limits.

3. *Universal*, viz. those who may do anything on behalf of their principal and whose authority is unlimited.

Agents of insurance offices (other than full time agents who are under a contract of service) fall within the first class, " special agents," that is, agents whose authority is limited to specified acts.

It should, however, be appreciated that the managers and other

officers of an insurance office are also agents of the company. They are general agents, having powers to do anything within certain limits. A company being an impersonal entity must of necessity conduct all its affairs by means of agents. Under the third class, " universal agents," come persons holding a full power of attorney. It is only with the first of these classes, special agents, that we have to deal.

Anyone can be appointed an agent, a married woman or a minor. It is, however, not usual for offices to grant credit agencies to minors.

TERMINATION OF AGENCY

This may occur either by the act of the parties themselves or by operation of law.

1. *By Act of the Parties.* This is styled " revocation " if the principal withdraws; " renunciation " if the agent throws up the contract. It is brought about by either party, and, unless repugnant to the terms of the contract, it may take place at any time. It may also be brought about by expiration of the time agreed upon for the continuance of the agency.

2. *By Operation of Law.*

(i) Death of the principal.

(ii) Bankruptcy—the agent's authority is generally revoked by the bankruptcy of his principal, not necessarily by that of himself.

(iii) Insanity—the insanity of the agent will determine his authority.

AGENT'S COMMISSION

The right of the agent to be paid commission for his services is founded on contract. In the case of those agents who have received a formal appointment, the terms of commission are explicitly set out therein. In the case of the agent who has no such appointment letter, the extent of the remuneration and the conditions under which it becomes payable must be ascertained from the course of business between the parties or the custom and usage of the particular trade. The usage in the insurance business would be easily ascertained and proved.

In the absence of stipulations to the contrary the agent is

entitled to commission if his introduction is the direct cause of an insurance being effected, though his appointment be revoked before completion.

The payment and the receipt of *secret* commission are both criminal offences. Under the Prevention of Corruption Act, 1906, the expression " agent " includes any person employed by or acting for another, and the expression " principal " includes an employer. The payment of commission by insurers to persons who obviously act as insurance agents is a matter of common knowledge, and cannot be regarded as corrupt. With regard, however, to employees who take commission on policies effected by their employers, the company must be satisfied that the employer knows and approves of the intended payment. The proper course is to inform the employer of the fact by letter and obtain his acknowledgment in writing.

AGENT FOR THE INSURED

It is often difficult to decide whether a particular person acted as agent for the proposed insured or as agent for the insurers in respect to the negotiations for a policy. This point gives more trouble than any other, especially when a dispute arises and an allegation of misrepresentation or breach of warranty has been made.

The proposer may, by his conduct in signing the proposal form, constitute the agent of the insurance company his own agent for the purpose of filling up the proposal form, and the proposer is then responsible for the manner in which the proposal form is filled up.

When the misrepresentation is the fault of the person acting as the insurance company's agent, or where mistakes or omissions have been made by such agents in filling up the proposal form, difficult questions have arisen.

The difficulty on the authorities arose from the alleged conflict between the decision of the Court of Appeal in *Bawden* v. *London Edinburgh and Glasgow Life Insurance Co.*, [1892] 2 Q.B. 534, and the decision of Mr. Justice R. S. Wright in *Biggar* v. *Rock Life Assurance Co.*, [1902] 1 K.B. 516.

The question has now been definitely decided by the Court of Appeal in *Newsholme Bros.* v. *Road Transport and General Insurance Company* (1929), 45 T.L.R. 573. In that case the true answers

to the questions in the proposal form were given by a partner in the claimant firm to the agent, who thereupon filled in answers which were not correct, and the partner signed the form. It was held that as the contract was that the written answers should be the basis of the insurance, the company were not liable.

The judgment of Lord Justice Scrutton makes it quite clear that in filling up the proposal form the agent is the agent of the proposer.

Where the agent makes an obvious mistake or where he makes a deliberate misstatement, the proposer will be bound if he signs the form, and generally will be responsible for the answers supplied if he has an opportunity of reading the answers and signs without reading them or signs a blank form (*Biggar* v. *Rock Life*).

AGENT'S AUTHORITY

The normal authority of an agent does not extend to explaining the terms of the contract made by the insurance company so as to bind the company to anything more than is expressed in the usual form of cover note or policy (*Levy* v. *Scottish Employers*, (1901), 17 T.L.R. 229), but such normal authority may be extended or restricted by special circumstances in any particular case.

The nature and extent of the agent's authority is defined by the appointment. All acts falling within the express authority of the agents necessarily bind the insurance company. In some circumstances the authority is extended so far as third parties are concerned on the ground that the insurance company is by its conduct precluded from repudiating the acts of the agent. Thus an agent who has been in the habit of receiving premiums on behalf of the insurers may bind them by the receipt of a particular premium, as in *Harvey* v. *Wing* (5 De G.M. and G. 265), where the agent accepted a premium after the policyholder had gone abroad, without notifying the company; the agent's knowledge was held to be the company's knowledge.

In a more recent case on this point (*Murfitt* v. *Royal Insurance Co., Ltd.*, 38 L.T.R. 334) the facts were as follows—

The plaintiff owned an orchard alongside a railway, and submitted to a local agent of the defendants a proposal for insuring his trees and fruit against fire. The agent said that, if the plaintiff did not insure elsewhere meanwhile, he would send the proposal to the

defendants and the plaintiff would be covered pending defendants' decision whether they would accept the proposal. A fire occurred, and afterwards, but before defendants knew of the fire, they refused to accept the risk. The agent had no express authority to make the agreement with the plaintiff. The plaintiff had twice before effected insurances upon less hazardous risks with the defendants through the same agent, who had then given him cover; and it appeared that the agent had habitually given cover for two years to the knowledge of the defendants and with their consent. It was held that on the facts the agent had implied authority to make the contract and the defendants were liable.

On the other hand, acts of the agent falling outside the apparent scope of the agent's authority do not bind the principal.

Agents have prima facie no authority to give credit for premiums, though they may be presumed to have authority to receive a cheque as conditional, but not as absolute, payment.

PAYMENT OF COMMISSION TO INSURED

The position where, in order to retain a renewal, commission is paid to the insured was fully discussed in the case of *McNeil* v. *Law Union & Rock Insurance Co., Ltd.* The case did not lay down any new principle, and was entirely concerned with the particular circumstances, but as the point is one of importance the judgment is printed in full—the judgment sufficiently discloses the relevant facts.

Mr. Justice Branson said—

In this action the plaintiff, who is an insurance broker, sues the defendants for commission upon the renewal of a policy of insurance granted by the defendants to a company called the Expanded Metal Co., Ltd., against employer's liability in respect of their works in West Hartlepool.

The facts of the case are these: The plaintiff who carries on business as C. E. Britten & Son, introduced the business of the Expanded Metal Company to the defendants in 1912, and the defendants issued a policy then to the Expanded Metal Company, Ltd., and from 1912 onwards at the end of each year the policy has been renewed through the instrumentality of the plaintiff. The way in which it was done was, each December the defendants gave the plaintiff a renewal notice to send forward to the Expanded Metal Company, and the plaintiff thereupon sent forward that notice, took up with the company the matter of

the rates that they would be prepared to pay, and the settlement of the actual premiums which they had to pay in respect of the year which was then completed. In 1923 it was obvious that the renewal of this policy was going to be a somewhat difficult performance, the reason being that the Expanded Metal Company had been receiving quotations from other insurance companies than the defendants, offering them better terms than the defendants were prepared to offer, and negotiations were initiated in which the plaintiff was endeavouring to get the Expanded Metal Company to agree to renew the policy. In order to arm himself for these negotiations, the plaintiff was corresponding with the defendants, and obtained from the defendants reasons which they were to pass on, and did pass on, to the Expanded Metal Company for the amount of the premiums which the defendants were proposing to charge. The negotiations came to a point at which it appeared to be clear that unless the defendants were prepared to take a somewhat smaller premium than they had hitherto insisted on as their premium the business would come to nothing. In those circumstances the plaintiff went to the defendants and saw Mr. Cummin, and suggested to Mr. Cummin that he should go and see what he could do by way of saving this business. Mr. Cummin did not go himself to the Expanded Metal Company, but he sent Mr. Pearce, and I think it is quite plain from Mr. Pearce's evidence, coupled with that of Mr. Linnett, who was the person acting for the Expanded Metal Company, with whom Mr. Pearce had his interview, that what in effect happened was this: Linnett, instructed by Schofield, said that the company would not go on renewing this policy at the rates which the defendants were asking, and suggested that a means of getting the company a lower rate would be to appoint, or to treat Linnett as the agent for the renewal of this insurance, so that his commission might be credited to the company, and the company thereby be enabled to get its insurance at a smaller rate. Pearce was certainly under no illusions in the matter. He said he assumed that the commission would go into the pockets of the company, and not into the pocket of Linnett, and it would hardly be otherwise, for if Linnett was trying to make it a term of this company's renewal of this premium that he should get a commission that he should keep himself, it would be a matter which would have thrown upon the defendant the duty of seeing that Linnett's principals were aware of what was going on, for it would have been a suggestion that, unless Linnett was authorized to make it, would have been a very improper suggestion for Linnett to make. As a matter of fact, of course, Linnett was acting perfectly properly. He made it perfectly plain to Pearce that the suggestion that this should be nominally put through his agency was only made in order that the company might get the benefit of a cheaper policy by being credited as against the premium which they would otherwise have to pay with the commission which nominally should be paid to Linnett. That arrangement having

been come to, the policy was renewed with the company, and the plaintiff now claims that he is entitled to commission upon the premium which was received.

I think there is no mystery about the law applicable to this case. It is laid down perfectly plainly by the Court of Appeal in the case of *Nightingale* v. *Parsons*, which is reported in [1914] 2 K.B. 621, the particular passage to which I shall refer being in the judgment of Lord Justice Swinfen-Eady at page 626. He is citing the case of *Miller* v. *Radford* from the judgment of Sir Richard Henn Collins, the Master of the Rolls of that day, and the passage which he cites is this: "The claim of agents to be entitled to commission in circumstances like the present was a claim which was often made and was likely to continue to be made. It was, therefore, important to point out that the right to commission did not arise out of the mere fact that agents had introduced a tenant or a purchaser. It was not sufficient to show that the introduction was a *causa sine qua non*. It was necessary to show that the introduction was an efficient cause in bringing about the letting or the sale." The principle deducible from this is this: Where an agent is asking for commission upon a certain transaction, he has got to show that he was an efficient cause of the transaction coming about. It is not enough to show that he was the introducer of the two parties, because that is merely a *causa sine qua non* and may not be the efficient cause.

Now in the present case it is said on behalf of the plaintiff that he was an efficient cause of the bringing about of this renewal. There is no doubt that he did a good deal of work, and, among other things, he was pointing out to the Expanded Metal Company the reason why the defendants were in difficulties about further reducing their premiums. That was an argument which they thought was sufficient material to hand over to the plaintiff to pass to the Expanded Metal Company. He did pass it on, and he went and saw the company upon it, and his efforts, in my view of the facts, were an efficient cause in the ultimate renewal of this policy. They were not the only cause, but they were an efficient cause. I do not think it is right, as Mr. Norman Birkett says, that the plaintiff's efforts entirely failed and the policy was only renewed by reason of a completely fresh basis having been arrived at between the parties. My reason for declining to follow that view of the facts is the evidence which has been given, from which I think it merges beyond any doubt whatever that this question of the allowance of a commission to Mr. Linnett was a mere—I do not want to use a word which would indicate that I think there was anything underhand in it—but it was a mere pretence in order to enable the company to get its insurance for a lesser sum than they otherwise would have done. It may be that the defendants' reason for doing the matter in this way was that, being a tariff company with fixed rates, they had some hesitation in reducing their rates; but the fact remains, and nobody

was under any illusion about, the result, and the intended result, of this arrangement was that the Expanded Metal Company should get their cover for £25 odd, whatever the amount of the commission was, less than they would otherwise have to pay. It is not a case of principals, who have been introduced by an agent and brought to a certain point in negotiations, setting out for themselves on a new track altogether. In my view, the case is exactly on all fours with the one that I put to Mr. Norman Birkett in argument, namely, the case of a man who employs an agent to go and try to sell something for him. The agent finds a purchaser, but the purchaser will not pay the price which the vendor requires; he is willing to pay something a little bit less, but the price that he is asked he will not pay. The agent then goes to the vendor and tells him that. The vendor then goes to the person introduced by the agent, and they agree that the sale shall take place at the less figure. The agent is entitled to his commission.

The result is, in my view, that the plaintiff is entitled to succeed.

FOREIGN AGENTS

The agency system in the foreign field has from the nature of things developed upon rather different lines. It has been the practice in the foreign field to appoint big mercantile firms as agents acting under a power of attorney. This is usually drawn as a general power but is modified by a letter of instructions giving the limits for different classes of risk.

This system has fulfilled its purpose up to the present, but now that the insurances obtainable are not confined to fire risks, and motor and workmen's compensation insurance is growing in the foreign field, this class of agent is finding it difficult to handle the business. These classes of insurance need servicing—indeed one of the principal protections afforded by the policy is the handling of the claims and this service needs trained accident men with the requisite technical knowledge. The result will probably be the gradual replacement of the mercantile agent by branch offices. This is a very similar line of development to that which was followed in this country and is nothing but what may be expected.

It may not, however, stop at branch offices—the nationalist feeling which is to be found everywhere may bring about the formation of national companies as subsidiaries; indeed, this has already happened in some territories.

CHAPTER XIV

SECRETARIAL MATTERS, STATUTORY RETURNS, AMALGAMATIONS

FOR a full treatment of the subjects which form the heading to this chapter, reference should be made to standard text-books. The various matters are dealt with here in outline only.

THE SECRETARY'S DEPARTMENT

The Companies Act, 1948, for the first time, made it obligatory on companies to appoint a secretary, but there is no restriction on companies as to the duties which shall be allocated to this officer, and companies are at liberty to arrange for the control of the company's business in any manner they choose. It will therefore be found that in some companies part of the matters dealt with within this chapter falls within the province of another department.

In the case of large companies, it is a very general practice to appoint a registrar, who is responsible for carrying through the registration of transfers and transmissions of the company's stock or shares, and for the preparation and dispatch of dividend warrants and interest warrants (if any) in respect of debenture stock.

Assuming, however, that there is no registrar, the duties of the secretary would comprise—

1. Keeping a supply of printed copies of the Memorandum and Articles of Association, and issuing these on proper application.
2. The custody of the register of members and dealing with transfer and transmission of shares.
3. The custody of the seal of the company.
4. Keeping the statutory books of the company other than books of account.
5. The issue of notices to shareholders and keeping minutes of their meetings.
6. The issue of notices and agendas to the directors and keeping minutes of their meetings.

7. The preparation and dispatch of dividend warrants and interest warrants (if any).

8. The preparation and filing of all returns and documents under the Companies Act.

These are the main duties, but there are certain minor, but still important duties from the company point of view, and in addition the secretary would probably be responsible for a good many matters relating to the business which the company transacts.

It is proposed in the course of this chapter to deal in outline with these duties, but want of space will forbid anything in the nature of full treatment.

MEMORANDUM AND ARTICLES OF ASSOCIATION

Every student is recommended to procure a copy of the Memorandum and Articles of Association of a public company, and it will well repay the student who has the opportunity to go to the office of the Registrar and search the file (fee 1s.) of one of the well-known companies.

He will be handed the file, consisting of several folders containing the originals of all the documents which the company has filed from time to time, and an hour spent in study of the file will be a profitable investment.

The **Memorandum of Association** is sometimes styled the "Charter of the company," and in fact this expression has unfortunately passed into currency for that purpose.

The Memorandum takes the form of a petition and must state the following—

1. The name of the company, with "Limited" as the last word of such name.

2. The part of Great Britain, whether England or Scotland, in which the registered office of the company is to be situate.

3. The objects of the company.

4. The liability of the members is limited.

5. The amount of the share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount.

Then follows a subscription clause, by which the subscribers (or signatories) to the Memorandum ask to be formed into a company

in pursuance of the Memorandum, and agree to take the number of shares set opposite their respective names.

At least seven signatories are required in the case of a public company—two at least in the case of a private company.

Clause 5 above would, of course, be modified in the case of a company limited by guarantee.

This Memorandum, along with other documents, including the " statement of nominal capital," is presented to the Registrar of Companies, for registration. The company is later empowered to carry on business in accordance with the objects—or " powers," as they are sometimes termed—of the Memorandum.

The Memorandum need not be printed (the Act specifically says that Articles of Association must be printed), but they invariably are printed and are bound up with the Articles.

Although the Memorandum is prima facie unalterable, yet a considerable number of alterations are permitted by the Act. A company may change its name by passing a special resolution and obtaining the written approval of the Board of Trade, whereupon the new name is substituted in the register for the old name, and a certificate to this effect issued. A company may also, in certain circumstances, alter its objects clause, by passing a special resolution.

ARTICLES OF ASSOCIATION

A company may have its own articles or may adopt Table "A" in whole or in part. Table " A " is a model set of Articles, and is now found in the 1st Schedule to the Companies Act, 1948. If the company does not register its own articles, then Table "A" applies automatically.

The Articles are the regulations governing the company, and provide the rules for its management *qua* company. The Act, by Sect. 10, enables a company to alter its Articles by special resolution. Articles must be printed, divided into paragraphs numbered consecutively, appropriately stamped, and signed by each subscriber of the Memorandum in the presence of a witness.

A company is bound under a penalty to send to any member, i.e. shareholder, on his request, and on payment of a sum not exceeding one shilling, a copy of the Memorandum and Articles.

TRANSFER AND TRANSMISSION OF SHARES

"Transfer" of shares means the passing of shares from one person to another by the voluntary act of the parties, e.g. by sale. "Transmission" is used to denote the passing of the shares from one person to another by operation of law, e.g. to the personal representatives on death or to a trustee on bankruptcy.

Shareholders are spoken of in the Companies Act, 1948, as members.

Every company is obliged, by Sect. 110, to keep a register of members and to enter therein the following particulars—

1. Names and addresses of the members, and, in the case of a company having a share capital,

2. A statement of the shares held by each member, distinguishing each share by its number, if any, and of the amount paid or agreed to be considered as paid on the shares of each member.

3. The date at which each person was entered in the register as a member.

4. The date at which any person ceased to be a member.

If a company fails to comply with this section, it shall be liable to a default fine, and every officer who is in default shall be liable to the like penalty.

The Act lays down regulations on the subject of transfers and transmissions. The relevant sections of the Act are—

Sect. 73. The shares or other interest of any member in a company shall be personal estate, transferable in manner provided by the Articles of the company, and shall not be of the nature of real estate.

Sect. 74. Each share in a company having a share capital shall be distinguished by its appropriate number. Provided that, if at any time all the issued shares in a company, or all the issued shares therein of a particular class, are fully paid up and rank *pari passu* for all purposes, none of those shares need thereafter have a distinguishing number so long as it remains fully paid up and ranks *pari passu* for all purposes with all shares of the same class for the time being issued and fully paid up.

Sect. 75. Notwithstanding anything in the articles of a company it shall not be lawful for the company to register a transfer of shares in or debentures of the company unless a proper instrument of transfer has been delivered to the company. Provided that nothing in this section shall prejudice any power of the company to register as shareholder or debenture holder any person to whom the right to any shares in or debentures of the company has been transmitted by operation of law.

Sect. 76. A transfer of the share or other interest of a deceased member of a company made by his personal representatives shall, although the personal representative is not himself a member of the company, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

Sect. 77. On the application of the transferor of any share or interest in

a company the company shall enter in its register of members the name of the transferee in the same manner and subject to the same conditions as if the application for the entry were made by the transferee.

RIGHT TO TRANSFER

Shares may be transferred in manner provided by the Articles. The right to transfer is given by Sect. 73, and unless restricted by the Articles is an absolute right. The mode of transfer and the restrictions in the right of transfer may vary in individual companies. As regards insurance companies there are seldom any restrictions. There is, however, always the right given to the directors to decline to register any transfer without assigning any reason, but such right must be exercised *bona fide*, and notice of the refusal must be sent to the transferee within two months of the date on which the transfer was lodged.

MODE OF TRANSFER

The mode of transfer is for the seller to execute a transfer and to hand it with the share certificate to the buyer, who, after executing the transfer, lodges it and the certificate with the company. The transfer is passed by the directors, the shares are transferred in the register from the seller to the buyer, and a new certificate issued to the latter. Shares are usually, however, sold on the Stock Exchange, in which case the stock-broker attends to all the formalities of the transfer—the buyer's broker receives the transfer and share certificate from the seller's broker, lodges it with the company, and receives a receipt for transfer and certificate deposited, which in due course is exchanged for the new certificate, which he hands to his client.

FORM OF TRANSFER

The Articles provide what form the instrument of transfer shall take. They usually provide that it shall be in a prescribed form or in the common form. These common forms of transfer can be purchased from any law stationer. On the back of the form are the declarations required under the Exchange Control Act, 1947, and the certificate needed when the transaction is not a sale and the consideration is a nominal sum.

The Articles do not usually insist that the transfer shall be by

deed, though the common form of transfer is drawn up in that way. The transfer duty is an *ad valorem* one, and is not affected by the form.

BLANK TRANSFERS

Blank transfers, that is, transfers in which the name of the transferee is left blank, are frequently deposited with the relevant certificate as security. If the Articles do not require the transfer to be by deed, the form signed by the transferor when handed to a purchaser is equivalent to an authority to him to fill in any name he likes, and when this is done the transferee is entitled to be registered as the holder of the shares. Where the Articles require a transfer by deed, the name of the transferee must be inserted before the deed is executed, otherwise the document is inoperative as a deed.

ATTESTATION OF TRANSFERS

Transfers should be signed by the transferor and transferee with their usual signatures, and properly witnessed. The husband or wife of a transferor or transferee is not usually accepted as a witness, and transfers executed outside the United Kingdom have usually to be witnessed by H.M. Consul, a clergyman, Justice of the Peace, or a Notary-Public. In the case of a corporate body, the transfer must be executed in accordance with the regulations of such body.

STAMP DUTY ON TRANSFERS

Sect. 17 of the Stamp Act, 1891, provides that " if any person whose office it is to enrol, register, or enter in or upon any rolls, books, or records any instrument chargeable with duty, enrols, registers, or enters any such instrument not being duly stamped, he shall incur a fine of £10." With regard to transfers for nominal consideration, the secretary is entitled to insist upon the transfer being submitted to the Board of Inland Revenue for adjudication, if he is not satisfied that the instrument is properly stamped.

It has been held that directors may refuse to register a transfer not duly stamped, and in determining whether it is duly stamped they may go behind that which appears on the face of the document.

CERTIFICATION OF TRANSFERS

When a holder sells part only of his shares, he does not wish to hand over his certificate, which is for a greater number than he has sold to the buyer. He therefore presents the transfer and the share certificate to the company, or the Share and Loan department of the Stock Exchange, and a certificate is stamped upon the transfer to the effect that a share certificate for so many shares has been lodged. It is the practice of a company to check a transfer before certifying it. Notice of the receipt of the transfer is sent to the transferor and he is informed that unless he objects by return of post it will be assumed that the transfer is in order. When the certificate has been placed on the transfer, a note of the transaction will be made on the back of the share certificate, which will then be filed. The transfer, together with a balance ticket representing the shares *not* transferred, will be sent to the seller or his broker. With the certified transfer the seller can make good delivery.

If the certification is by the Stock Exchange the procedure is similar, but no balance ticket is issued, and no details are written on the back of the share certificate. A letter is written however to the company asking that the balance of the shares should be held at the disposal of the broker acting for the seller.

Certification by a company of a transfer is, in law, a representation to any person acting on the faith of the certification that there have been produced to the company such documents as on the face of them show prima facie title to the shares in the transferor. Where any person acts on the faith of a false certification made negligently, the company is under the same liability to him as if it had been made fraudulently. A transfer is deemed to be certified if it bears the words "certificate lodged" or similar words and signed or initialed on behalf of the company by a person authorized to issue certificated transfers or by any officer or servant of a body corporate so authorized. When the Stock Exchange certifies, it is not acting as agent of the company and no liability on the part of the company arises.

NOTICE IN LIEU OF DISTRINGAS

Under Order 46 of the Rules of the Supreme Court, anyone wishing to prevent the registered holder of stocks or shares from dealing

with them must file an affidavit in the prescribed form at the Central Office of the Supreme Court, giving particulars of the interest claimed in such stocks or shares.

Upon receipt of office copy of affidavit and duplicate of the notice from the central office, the company must not accept any transfer of such stocks or shares—nor pay dividends thereon—unless it first gives eight days' notice of its intention so to do to the person lodging the notice in lieu of distringas.

During such eight days, the person interested must apply to Court for an order to restrain such transfer, failing which the notice ceases to be operative.

TRANSMISSION

When a member dies, the company recognizes the deceased's personal representative, i.e. the executor or administrator, as having a right to the shares. An exception to this rule is that, where the deceased was a joint holder the company recognizes the survivor. In the event of the bankruptcy of a member, his trustee becomes entitled to the shares. The Articles usually provide that any person becoming entitled to a share in consequence of the death or bankruptcy of a member may elect either to be registered himself as holder or to have some person nominated by him registered as transferee. The directors may be empowered to give notice requiring the right of election to be exercised, and should the notice not be complied with within ninety days, they may withhold payment of dividends and bonuses.

When a member dies his estate remains liable for calls. His name remains on the register until evidence of the appointment of the personal representative in the form of probate or letters of administration has been exhibited and a request made for the shares to be transferred.

A trustee in bankruptcy should produce evidence of his appointment, and may, if he thinks fit, disclaim the shares of the bankrupt.

A committee in lunacy would produce the order appointing him.

METHOD OF DEALING WITH TRANSFERS

On receipt of a transfer in the office, the first step is carefully to examine it to see that the form is filled in correctly, and that it is

properly witnessed and stamped, and that the name, address and description of the transferor agree with the register. As far as possible his signature should be verified. Care should be taken to ensure that the Exchange Control Act, 1947, has been complied with. If the transfer has not been certified, a share certificate should accompany the transfer. A receipt is generally given when the transfer and certificates are lodged.

It has now become a general custom to send to the member in a plain envelope a letter stating that a transfer purporting to bear his signature has been lodged, and that unless he advises to the contrary within seven days, the transfer will be proceeded with.

The transfer is in due course submitted to the directors, and if passed, and entered in the register of transfers, a certificate in the name of the new holder is sealed and issued within a month of presentation of transfer so as to comply with Stock Exchange rules.

Probates, etc., are entered in a register of probates, and a similar course is pursued. The company is usually empowered by its Articles to charge fees for this work.

THE SEAL OF THE COMPANY

Sect. 108 of the Companies Act, 1948, states "Every company shall have its name engraven in legible characters on its seal," and Sect. 32 provides that a contract, which, if made between private persons, would be by law required to be in writing and, if made according to English law, to be under seal, may be made on behalf of the company in writing under the common seal of the company and may in the same manner be varied and discharged.

The seal is, therefore, necessary for the execution by the company of all important documents. The Articles usually give directions as to sealing. Table A gives the following—

113. The directors shall provide for the safe custody of the seal, which shall only be used by the authority of the directors in that behalf, and every instrument to which the seal shall be affixed shall be signed by a director and shall be countersigned by the secretary or by a second director or by some other person appointed by the directors for the purpose.

The usual practice is for the seal to be kept in the board room, it being securely locked with bolt and padlocks. One of these padlocks

is operated by keys, of which every director holds one, and the other by a key one of which is held by the secretary and other officers.

All documents sealed should be entered in a seal book.

THE STATUTORY BOOKS OF THE COMPANY

The books which a company is by the Companies Act required to keep are—

1. A register of members. Where a company has more than fifty members it must keep an index of their names unless the register is in such a form as to constitute in itself an index.
2. Minute books.
3. A register of directors and secretaries.
4. A register of directors' shareholdings.
5. A register of charges.
6. Proper books of account with respect to—

(*a*) All sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place.

(*b*) All sales and purchases of goods by the company.

(*c*) The assets and liabilities of the company.

No other books are expressly required by the Act to be kept, but there are, in addition, various other books which are either necessary or desirable—

1. Certificate book (containing share certificates with counterfoils).
2. Register of share transfers.
3. Receipt book for transfers received.
4. Register of proofs of death, marriage, and other changes of title.
5. Register of powers of attorney.
6. Directors' attendance book.
7. Seal book.
8. Register of debenture holders (if any).

The register of members must contain—

(*a*) the names and addresses of the members, and in the case of a company having a share capital a statement of the shares held by each, distinguishing each share by its number so long as the share has a number, and of the amount paid or agreed to be considered as paid on the shares of each member;

(*b*) the date at which each person was entered on the register as a member;

(*c*) the date at which any person ceased to be a member.

Where the company has converted any of its shares into stock and given notice of the conversion to the Registrar of Companies, the register must show the amount of stock held by each member.

The register of members must generally be kept at the registered office of the company, but if the work of making it up is done at another office, it may be kept at that other office, so however that it shall not be kept, in the case of a company registered in England, at a place outside England and, in the case of a company registered in Scotland, at a place outside Scotland. Except when the register is closed in accordance with the Act, it shall be open to inspection during business hours. A person, other than a member may be required to pay a fee of 1s. Copies of the register or any part may also be required on payment of 6d. for every hundred words.

The register of directors and secretaries must contain—

(*a*) with regard to each director, his present Christian name and surname, any former name, his usual residential address, his nationality, his business occupation, particulars of other directorships and his date of birth and

(*b*) with regard to the secretary, his present Christian name and surname, any former name and his usual residential address.

The register of directors' shareholdings must contain information with regard to each director. Particulars are required of any shares in or debentures of the company or any other body corporate, being its subsidiary, or holding company, or subsidiary of the company's holding company. (The register need not include shares in any company which is a wholly owned subsidiary.) When a director makes changes in his holding details of the transaction, the date and the price or other consideration must be recorded. If a director so requires, the nature and extent of a director's interest in the shares or debentures must be indicated.

The register of charges is prescribed by Sect. 104, which requires to be entered therein " all charges specifically affecting property of the company, and all floating charges on the undertaking or any property of the company, giving in each case a short description of the property charged, the amount of the charge, and except in the

case of securities to bearer, the names of the persons entitled thereto."

The register of debenture holders is similar to the register of members, but it is not a statutory book. Where, however, a register is kept, the Act contains provisions with regard to the place where it is kept.

REGISTRATION OF CHARGES

Subject to the provisions of Part III of the Act, every charge falling within one of the classes listed below shall, so far as any security on the company's property is conferred thereby, be void against the liquidator and any creditor, unless prescribed particulars of the charge together with the instrument, if any, by which the charge is created, are received by the Registrar of Companies for registration within twenty-one days after the date of its creation. When a charge becomes void, the money secured thereby immediately becomes payable. The classes to which these provisions relate are—

(*a*) A charge for the purpose of securing any issue of debentures;

(*b*) a charge on uncalled share capital of the company;

(*c*) a charge created or evidenced by an instrument which, if executed by an individual, would require registration as a bill of sale;

(*d*) a charge on land, wherever situate, or any interest therein, but not including a charge for any rent or other periodical sum issuing out of land;

(*e*) a charge on book debts of the company;

(*f*) a floating charge on the undertaking or property of the company;

(*g*) a charge on calls made but not paid;

(*h*) a charge on a ship or any share in a ship;

(*i*) a charge on goodwill, on a patent or a licence under a patent, on a trade-mark or on a copyright or a licence under a copyright.

Special provisions apply to a charge created out of or on property outside the United Kingdom.

Where a series of debentures containing any charge to the benefit of which the holders of the series are entitled *pari passu*, it is sufficient to deliver the following particulars—

(*a*) the total amount secured by the whole series;

(*b*) the dates of the resolutions authorizing the issue of the series and the date of the covering deed, if any, by which the security is charged or defined;

(*c*) a general description of the property charged;

(*d*) the names of the trustees, if any, for the debenture holders;

together with the deed containing the charge, or if there is no such deed, one of the debentures of the series.

Copies of the instruments creating any charge requiring registration at the Companies Registry must be kept at the registered office of the company. These copies and the register itself must be open to the inspection of creditors and shareholders gratis, and the register to the inspection of any other person on payment of a fee not exceeding 1s. for each inspection. The right to inspect this register includes the right to take copies.

NOTICES TO SHAREHOLDERS

The first point is to see that the meeting is convened by proper authority. The Articles usually deal fully with the point and generally provide that the directors can convene a general meeting whenever they think fit, and the secretary, acting on their instructions, will then prepare and send out notices. Accordingly, the secretary's first duty will be to see that the board meeting, at which it was resolved to call a general meeting, was itself duly convened and that a quorum of the directors was present. If a notice has been given without authority, it is possible to ratify the issue of the notice before the meeting to which it relates.

Then there are three further points to be carefully borne in mind—

(*a*) that the proper length of notice is given,

(*b*) that it is duly given to all persons entitled to receive it,

(*c*) that it is properly framed,

the provisions of the Act and the Articles being strictly followed in these respects.

Sect. 133 of the Act provides that the minimum notice required for company meetings (other than adjourned meetings) shall be as follows—

(*a*) in the case of the annual general meeting, twenty-one days' notice in writing, and

(*b*) in the case of a meeting other than an annual general

meeting, or a meeting for the passing of a special resolution, fourteen days' notice in writing in the case of a company other than an unlimited company and seven days' notice in the case of an unlimited company.

The number must be calculated exclusive of the day on which the notice is served and of the day for which it is given.

A meeting may be called by shorter notice than that specified in (*a*) and (*b*) above provided it is so agreed, (1) in the case of the annual general meeting by all members entitled to attend and vote thereat, or (2) in the case of any other meeting by a majority in number of the members having a right to attend and vote, being a majority together holding not less than 95 per cent in nominal value of the shares giving the right to attend and vote at the meeting.

Sect. 141 (2) requires not less than twenty-one days' notice of the intention to propose a special resolution; the resolution may, however, be proposed at a meeting of which less than twenty-one days' notice has been given, if the condition in (2) above is satisfied.

Under the 1948 Act, a new type of resolution has been introduced viz. a resolution of which special notice must be given. Special notice is necessary of a resolution—

(1) to appoint as auditor a person other than the retiring auditor or to provide that a retiring auditor shall not be reappointed;

(2) to remove a director by ordinary resolution before his period of office has expired or to appoint some other director in place of a director so removed;

(3) to appoint or reappoint as a director a person who has attained the age of seventy years.

Normally special notice must be given to the company twenty-eight days before the meeting, and the company is required to give notice to its members at least twenty-one days before the meeting.

In the absence of regulations to the contrary, all shareholders on the register are entitled to receive notices of meetings and to attend and record such votes as they are entitled to, but there are frequently special provisions in the Articles as to the right to receive notices, and the cases of shareholders residing abroad

joint-holders, and representatives of deceased shareholders need special care.

The omission to serve even a single member will render a resolution invalid unless, as is commonly the case, the Articles provide that the accidental omission to give notice to a member or the non-receipt of the notice by any member is not to invalidate the meeting.

In framing the notice the provisions of the Articles must be strictly followed. The articles usually provide that the notice of a meeting shall state the place, day and hour of meeting, and in the case of special business, the general nature of such business. Special business is usually defined as all business transacted at an extra-ordinary general meeting and all business transacted at an ordinary general meeting, except the sanctioning of a dividend and the consideration of the accounts, balance sheet, and the ordinary report of the directors.

It is important to remember that the meeting has no power to pass any resolution outside the scope of the notice.

In every notice calling a meeting of a company having a share capital, there must appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him, and that a proxy need not also be a member. The appointment of a proxy is effective if received by the company as provided by the Articles, but any provision requiring the document to be received more than forty-eight hours before a meeting or adjourned meeting is void.

Every notice must bear the name of the company and must be signed by a director, secretary, or other authorized officer of the company.

A common form is as follows—

THE INSURANCE COMPANY, LIMITED

20 ALDERMANBURY,
LONDON, E.C.2.

4th May, 19.....

NOTICE is hereby given that the 15th Annual General Meeting of The Insurance Company, Limited, will be held at the Registered Office of the Company, 20 Aldermanbury, London, E.C.2, on Thursday, the 15th May, 19 , at 12 o'clock noon, for the purpose of receiving the Directors' Report and Accounts for the year ended. . . .. , declaring a dividend,

electing Directors, fixing the remuneration of the Auditors and transacting any other usual business of an Annual General Meeting. The Share Transfer Books of the Company will be closed up to and including the 15th May, 19.....

By Order of the Board.

JOHN SMITH,

Secretary.

CONDUCT OF MEETINGS

In order that business may be validly transacted a quorum must be present. The number of members constituting a quorum is almost invariably stated in the Articles, but where they do not make any provision, the Act provides that, in the case of a private company two members, and in the case of a public company three members, personally present shall form a quorum.

The Articles usually provide that the chairman of the board of directors shall preside at every general meeting, and that the directors may elect a chairman of their meetings and fix the period for which he shall hold office. Table A states that if the chairman is not present within fifteen minutes of the time for commencement of a general meeting or is unwilling to act, the directors present shall choose one of their number to be chairman, but if no director is willing to act or no director is present, the members present shall choose one of their own number to be chairman. The chairman's duty is to conduct the proceedings regularly. He must ascertain the sense of the meeting and this is done by putting motions and amendments to the meeting. Apart from the Articles, there is no need for a motion to be moved or seconded, provided it is submitted by the chairman. When an amendment is proposed, it must, after being discussed, be put to the meeting. If it is carried, the original motion is accordingly amended and put to the vote as a substantive motion. If a substantive motion is lost, the original motion cannot be reconsidered. Where several amendments are proposed, they should be dealt with in the order in which they alter the original motion.

The Articles usually provide that all resolutions shall be determined in the first instance on a show of hands, and unless a poll is demanded a declaration by the chairman that a resolution has been carried or lost, and an entry in the minutes, shall be conclusive evidence of the fact. Normally a member has only one vote on a show of hands.

By Sect. 137 of the Act, members have a statutory right to demand a poll on any question arising at a general meeting, other than the election of the chairman or the adjournment of the meeting. A poll may be demanded either (1) by not less than five members having the right to vote at the meeting, or (2) by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting, or (3) by a member or members holding shares in the company confirming a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares confirming that right. Under most Articles, when a poll is taken members' votes are counted by reference to the number of shares held.

SPECIAL AND EXTRAORDINARY RESOLUTIONS

Certain matters must be dealt with by an extraordinary or special resolution.

Sect. 141 (1) and (2) respectively define an extraordinary and a special resolution as follows—

(1) A resolution shall be an extraordinary resolution when it has been passed by a majority of not less than three-fourths of such members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy, at a general meeting of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given.

(2) A resolution shall be a special resolution when it has been passed by such a majority as is required for the passing of an extraordinary resolution and at a general meeting of which not less than twenty-one days' notice, specifying the intention to propose the resolution as a special resolution has been duly given.

Provided that, if it is so agreed by a majority in number of the members having the right to attend and vote at any such meeting, being a majority together holding not less than ninety-five per cent in nominal value of the shares giving that right, or, in the case of a company not having a share capital, together representing not less than ninety-five per cent of the total voting rights at that meeting of all the members, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days' notice has been given.

ANNUAL GENERAL MEETING

Every company must, each year, hold a general meeting as its annual general meeting in addition to any other meetings, and must specify the meeting as such in the notices calling it; and not more than fifteen months must elapse between the date of one annual general meeting and the next. In regard to the first annual general

meeting, this must be held within eighteen months of incorporation.

A copy of every balance sheet, including every document required by law to be annexed thereto, which is to be laid before a company in general meeting, together with a copy of the auditors' report shall, not less than twenty-one days before the date of the meeting, be sent to every member and every debenture holder of the company.

Sect. 140 provides that on the requisition in writing of—

(1) any number of members representing not less than one-twentieth of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(2) not less than one hundred members holding shares in the company on which there has been paid up an average sum per member of not less than one hundred pounds,

the company shall give to those of its members entitled to receive notice of the next general meeting, notice of any resolution which may be properly moved. The company must also circulate any statement of not more than one thousand words with regard to the proposed resolution or the business to be dealt with. A requisition requiring notice of a resolution must be deposited with the company not less than six weeks before the meeting, and any other requisition not less than one week. A sum to cover expenses must be tendered therewith.

NOTICES TO DIRECTORS

Ordinary board meetings are usually held at fixed intervals, e.g. once a week at some fixed time. It is the practice with some companies to give notice to the directors of such ordinary meetings; with others it is not so. The better practice is perhaps to send a notice with an agenda showing what business is to come before the meeting, together with any papers relating thereto.

Board meetings are to an extent regulated by the Articles of Association, which usually provide, *inter alia*, that the chairman shall have a second or casting vote, and what number is to form a quorum.

If the meetings are not held at fixed intervals, notice must be given to all directors to ensure a valid meeting. If the Articles do not specify the length of such notice, reasonable notice must be given.

It is usual for directors to sign an attendance book at the meeting. The following is a specimen of the notice that would be suitable—

THE INSURANCE COMPANY, LIMITED

20 ALDERMANBURY,
LONDON, E.C.2.

.....19....

Dear Sir,

I should be obliged if you would attend a meeting of the Board which will be held on the inst., at o'clock.

Yours faithfully,

Secretary.

It is always advisable that an agenda should be sent so that the directors may have notice of the business to be transacted. This would be in a form such as shown here.

THE INSURANCE COMPANY, LIMITED

20 ALDERMANBURY,
LONDON, E.C.2.

BOARD MEETING, 31st October, 19....

AGENDA

1. Minutes of previous meeting.
2. Report Sealing.
3. Bank Statement.
4. Agency Appointments.
5. Transfers.
6. Investments.
   (*a*) To sell £100,000 3½ per cent War Loan at 97.
   (*b*) To buy £150,000 Metropolitan Water Board Stock at 88.
7. Return of Business.
8. New Director—Viscount Brinassoc.
9. New Branch Office—Bedford.
10. Staff Salaries.

MINUTES

Sect. 145 requires minutes to be kept of all proceedings at general meetings and at Board meetings.

It is the usual practice to keep separate books for each set of minutes. The reason is obvious, because the minutes of the proceedings at board meetings are of a confidential nature, whereas the proceedings at general meetings are common knowledge in these days when the meetings are fully reported in the Press.

The minutes must in either case be signed by the chairman of the meeting at which the proceedings recorded took place, or by the chairman of the next succeeding meeting. When so signed they become evidence; they are not conclusive evidence, but in the absence of any other evidence they are accepted by the Courts as reliable.

A common practice is for the minutes of the Board meetings to be confirmed at the next Board. It should be remembered that it is not the resolutions which are confirmed, but merely the minutes, which are a record of the resolutions passed. Minutes of annual general meetings are usually confirmed at the next Board meeting. It is manifestly absurd to ask one general meeting to confirm the minutes of the previous meeting which took place a year ago.

The minutes form a permanent record of the transactions of the Board or of the company, and may very possibly, in the future, be absolutely the only evidence of the transactions which it may be able to produce. It is quite impossible to forecast what will or what will not be required in future contingencies, and the only safe plan is to make the record both accurate and complete.

The actual method of recording the minutes varies with different companies, and it is to a great extent a matter of tradition. The following is submitted as a form which would serve for the minutes of an annual general meeting, and will serve to acquaint the student with what would be contained in such minutes—

Twenty-first Annual General Meeting of The Insurance Company, Limited, held in the Company's Board Room, 20 Aldermanbury, London, E.C.2, on Tuesday, the 1st May, 19...., at 12 o' clock noon.

Present: John Blank, Esq., Chairman; Messrs. William Smith, John Jones, and Henry Robinson, Directors, and Shareholders as per attendance book.

The Secretary read the notice convening the meeting and the report of the auditors.

The Directors' Report and Accounts, previously circulated, were taken as read.

Report and Accounts and Dividend. The Chairman proposed, Mr. Smith seconded, and it was unanimously resolved, that the Director's Report and Accounts for the year ended 31st December, 19 , as now presented, be approved and adopted and that a dividend of 15 per cent per annum on the Ordinary shares of the Company, as recommended by the Directors, be approved.

Retiring Directors. It was proposed by Mr. Blank, seconded by Mr. Dash, and carried unanimously, that Messrs. William Smith and John Jones be and are hereby re-elected Directors of the Company.

Election of Auditors. It was proposed by Mr. Dash, seconded by Mr. Blank, and carried unanimously, that Messrs. Tick and Company, Chartered

Accountants, having agreed to continue in office as auditors for a further year, their fee be and is hereby fixed at £ .

Vote of Thanks to Staff. It was unanimously resolved that the best thanks of the meeting be accorded to the staff for their services during the past year.

Vote of Thanks to Chairman. The Chairman was cordially thanked for his conduct in the chair.

To give a specimen of the minutes of a Board meeting is a little more difficult, as these are always treated as confidential, and it is not possible to see the various methods employed. The phraseology doubtless varies very widely, but the object is the same in every case ; viz., to keep a sufficiently detailed, and at the same time succinct, record of the proceedings at such meeting.

The following are submitted as specimens of the entries that would be found in the minute book.

BOARD MEETING—31st October, 19....

Present : ....., Esq., Chairman.

Messrs. ....
....
....
....

The General Manager } *In attendance*
The Secretary. }

Minutes. The minutes of the Board Meeting held on the 17th inst. were read and confirmed.

Seal. The sealing of 45 documents as recorded in the Seal Register was reported.

Bank Balances. The accountant's statement of the company's balances on current account, together with the bank certificates, was submitted.

Agency Appointments. The appointment of 27 agents and the cancellation of 2 agencies were confirmed.

Transfers. Transfers Nos. 72536 to 72540 were approved and the seal of the company was ordered to be affixed to the new certificates.

Investments. It was resolved—

(*a*) To sell £100,000 3½ per cent War Loan at 97, and the seal of the company was ordered to be affixed to the necessary power of attorney.

(*b*) To buy £150,000 Metropolitan Water Board Stock at 88, and the seal of the company was ordered to be affixed to the necessary transfer.

Returns of Business. The usual returns of business for the quarter ended 29th September, 194 , were submitted.

New Director. It was unanimously resolved to invite the Right Hon. the Viscount Brinassoc, P.C., to fill the vacancy on the Board caused by the death of the late Sir Henry Premium, Bt.

At the subsequent meeting, if these minutes were confirmed, the chairman would sign them at the foot, the word "chairman" and the date of signing being usually added under his signature.

If at an examination a candidate is asked to draft minutes, he would be well advised to use the style of wording to which he is

accustomed, but if he is unacquainted with the writing of actual minutes, the above style will serve his purpose.

The above example deals with a meeting of the Board at which routine business only was transacted, but there arise numerous occasions on which very special business has to be done, and it is then often advisable that the resolutions and the minutes recording such resolutions should be drafted by the company's legal advisers.

DIVIDENDS

The payment of a dividend is a distribution intended to be made periodically by a company among its shareholders from its net revenue or profits.

No dividend can be paid out of capital except in the special circumstances referred to in Sect. 65 of the Companies Act, 1948. These cannot apply to insurance companies.

Unless the Articles otherwise provide (as they invariably do), dividends are payable in proportion to the nominal amount of share capital held by each shareholder, irrespective of the amount paid up. The power to declare a dividend is usually vested by the Articles in the directors, either with or without the sanction of a general meeting. When the power is vested in a general meeting, it is usually provided that no dividend shall be declared exceeding that recommended by the directors.

Dividends become due immediately they are declared and are treated as a debt due from the company to the shareholder, except that they do not bear interest. Dividends become statute-barred if not claimed within twelve years from the date of declaration.

On the declaration of a dividend, warrants must be prepared and dispatched to each shareholder. It is a common practice to have them ready before the meeting, so that they can be dispatched immediately the dividend has been declared. As a rule, the resolution of the meeting is merely a formal sanctioning of the recommendation of the Board, but if there is any likelihood of the meeting declaring a lower dividend than that recommended, then it would not be wise to prepare the warrants in advance.

A company has power to close the register for a period or periods not exceeding in all 30 days in each year, but before so closing the company must give notice by newspaper advertisement. In the

case of a company of any magnitude it is usual to take advantage of this power and to close the register for a short time in order to prepare the dividend warrants.

It is the usual practice to open a separate banking account for each dividend; a cheque is drawn for the total amount of the dividend, and an account opened. The dividend warrants are debited to this account and a separate pass book entered up. It is generally the case that dividend warrants not presented for payment within six months of issue are not payable by the bank unless first verified by the company. At the end of that period the account is closed and any amount representing unclaimed dividends is transferred to the company's general account. The method of preparation of the warrants varies according to the number of accounts involved. Where there is a large number, the use of addressing machines is usual. It is now a very general practice for shareholders to have their dividends paid direct to their bankers, and it is, therefore, often the case that the company has several dividends to pay to the same banker. In such a case it is usual to prepare counterfoils for each individual shareholder, as these may be required for claiming repayment of income tax, and to make out one warrant for the total amount of all the dividends.

ANNUAL RETURN

It is obligatory upon every company to make an Annual Return to the Registrar.

It must contain the matters set out in Part I of the Sixth Schedule to the Act and be in the form contained in Part II of that schedule or as near thereto as circumstances permit.

The particulars required are—

1. The address of the registered office.

2. (i) The address where the register of members is kept, if not the registered office.

(ii) The address at which the register of debenture holders or duplicater or part thereof is kept, if not the registered office.

3. A summary of the company's share capital.

4. Particulars of the total indebtedness in respect of all mortgages and charges which are required to be registered.

5. (i) The names and addresses of all persons who, on the

fourteenth day after the company's annual general meeting, are members and of persons who have ceased to be members since the date of the last return.

(ii) The number of shares held by each of the members at the date of the return, and the shares transferred since the date of the last return by members and by persons who have ceased to be members and the dates of registration of the transfers.

(iii) An index of the above names, if they are not arranged in alphabetical order.

6. Details relating to directors and secretary.

A company need not file a complete return of its members every year; this is required every third year after the first complete return is made. For the two intervening years the particulars relating to members may be confined to those applying to persons ceasing to be or becoming members since the date of the last return and to shares transferred since that date or to changes as compared with that date in the amount of stock held by a member.

The Annual Return must be completed within forty-two days after the annual general meeting for the year and a copy must be forwarded to the Registrar signed both by a director and by the secretary. It must normally include a copy, certified by a director and the secretary, of every balance sheet laid before the company in general meeting during the period to which the return relates, including every document required by law to be annexed thereto, together with a copy of the report of the auditors and the report of the directors. This provision does not however apply to an assurance company which has complied with Sect. 7 (4) of the Assurance Companies Act, 1909, with regard to the depositing of accounts.

Additional information is required from a private company, but an "exempt private company" is relieved in certain circumstances from complying with the requirements of Sect. 127, which stipulates the documents to be annexed to the Annual Return.

SAFEGUARDING OF SECURITIES

Although it is the general practice at the present time for the directors to leave the technical part of the business solely in the hands of the executive and the other officers, there is one thing

which they invariably keep in their own control, and that is the investments and securities of the company.

All purchases and sales are made under the direct instructions of the directors—finance is their exclusive and peculiar province. This does not stop at the purchase and sale of investments—the custody of the securities is under their control.

If it is the practice of the company to keep their securities in their own strong room or safe, then it will usually be the case that one of the keys is in the custody of each of the directors whose attendance will be necessary each time the strong room is opened. A movement of any security by either deposit or withdrawal will be recorded in a book and vouched by the initials of the director in attendance. At the annual audit all the securities have to be produced for the inspection of the auditors who must vouch their correctness. This means several hours attendance at the strong room which from the very nature of things is usually situated in the basement—generally a somewhat stuffy, dusty and uncomfortable place.

To obviate the inconvenience of this somewhat clumsy method it is now a very usual practice to send the securities to the company's bank for safe custody. The advantages of this method are many and may be enumerated as follows—

1. The personal attendance of directors is not required. They can release any security by signing an authority to the bank to hand over securities. This authority can be in favour of the company's stockbroker if the security has been sold, or in favour of an officer of the company if the security is wanted in the office for any purpose.

Deposits in the same way can be made direct by the stockbroker. The handling of the securities can be reduced to a minimum and the directors can exercise absolute control by means of signatures.

2. The work at the annual audit is much simplified. Instead of producing the actual securities to the auditors, a certified list from the bank can be supplied to them. This is a much cleaner and quicker way and obviates the risk of loss which always exists in handling and counting securities, especially when they are in the form of bearer bonds. In the case of inscribed stocks there is no certificate for the stock—the title is the entry in the books

of the Crown Agents for the Colonies, the Bank of England or other bank which keeps the stock books. They are prepared to certify lists of holdings. Sometimes a small charge is made for this work.

3. In the case of bearer bonds the bank is prepared to cut off the interest coupons. This is often a laborious task and not a very suitable one to try and perform in the office, where interruptions are frequent. Coupons are usually the size of a couple of postage stamps placed side by side, and for safety sake they are not perforated. Banks charge a fee for this service if there is a large number of bonds. At the present time, the law requires that bearer bonds should be in the custody of banks who are designated "authorized depositories" under the Exchange Control Act, 1947.

4. The Banks will watch for any bonds that are drawn for redemption and present them promptly for payment, thus saving any loss of interest.

It is usually found necessary to have a combination of both systems, for some securities are not suitable for deposit with the bank, e.g. mortgage deeds. Therefore, the usual practice is for all Stock Exchange securities to go to the bank and for other securities to be placed in the strong room. It is a usual practice for each security and each set of mortgage deeds to be placed in a separate envelope under the seal of the auditor. This enables him to pass each packet which is sealed without checking the contents, particulars of which are endorsed on the envelope. If, as it often happens, the envelope has had to be opened during the year because a document was needed for reference, then the contents must be checked and sealed up again.

STATUTORY RETURNS

This heading is included in the syllabus and refers to those returns which companies are required to make in accordance with the provisions of an Act of Parliament. The term is sometimes used as including other returns which the companies make to Government Departments but which are not required by statute.

Various returns have also to be made by a company in the different foreign countries in which it does business. This, however, is beyond our present purpose.

Board of Trade Returns. By the Assurance Companies Acts, 1909–1946, a company must at the expiration of each financial year prepare—

1. A separate revenue account in respect of the classes to which the Acts apply and also in respect of any sinking fund or capital redemption business. Special considerations apply to employers' liability business (see page 14). Business not within the Act should appear in a separate general account.
2. Profit and loss account.
3. Balance sheet.

These accounts must be drawn up in accordance with the forms in the First, Second and Third Schedules of the Assurance Companies Acts.

In addition, a statement of the personal accident outstanding claims is required to be furnished annually. This gives the particulars of paid and outstanding claims for the year of account and the running off for each of the previous five years separately with a certified actuarial statement of claims of five years' duration and upwards. An actuarial report and abstract relating to the life and bond investment business is also required at least once every five years. These returns are required in the forms set out in the Fourth and Fifth Schedules of the Act.

Every such account, balance sheet, abstract, or statement must be printed and four copies, one of which shall be signed by the chairman and two directors of the company and by the principal officer, and if the company has a managing director, by him also, shall be deposited at the Board of Trade within six months after the close of the period to which they relate.

Annual Return and Summary. The Companies Act, 1948, requires that every company having a share capital shall once at least in every year make a return, particulars of which are given on page 216.

Industrial Assurance Returns. Under Sect. 13 of the Industrial Assurance and Friendly Societies Act, 1948, collecting societies and industrial assurance companies are required to submit to the Commissioner each year a return as to the number of policies in force at the beginning and end of the year and of the number issued, discontinued or converted to free policies. The form to be used is set out in the Industrial Assurance (Returns) Regulations, 1948.

Metropolitan Return. The Metropolitan Fire Brigade Act, 1865, requires a return to be made of the gross amounts insured against fire during each year in respect of property in the Administrative County of London, upon which contributions towards the expense of maintaining the fire brigade are levied. Contributions are payable at a rate of £35 per million pounds of gross sums insured.

Reinsurances are excluded from the return for the reason that the contributions are levied on the gross premiums of the original insurer.

In 1887 for the first time insurances by underwriters at Lloyd's were included.

AMALGAMATIONS

Many of our leading insurance companies have reached their present size as the result of amalgamations, but the opportunity of being a participant in an amalgamation is now rather more remote than it once was.

The Assurance Companies Act, 1909 contains provisions relating to amalgamation and transfer. Those relating to amalgamation apply only when one or both companies carries on long-term or employers' liability insurance whilst those relating to the transfer of business apply only to long-term and employers' liability insurance.

The principal Act states that the sanction of the Court must be obtained, but before application is made to Court—

(*a*) notice of intention must be published in the *Gazette*;

(*b*) a statement of the nature of the amalgamation or transfer, together with an abstract of the material facts embodied in the agreement and actuarial reports shall, unless the Court otherwise directs, be transmitted to policyholders; provided that it shall not be necessary to send the statement and documents to policyholders other than life, endowment, sinking fund, or bond investment policyholders, nor in the case of a transfer to such policyholders if the business transferred is not life or bond investment;

(*c*) the agreement under which the amalgamation or transfer is effected shall be open for inspection by policyholders and shareholders for a period of fifteen days after the publication of the notice in the *Gazette*.

Where an amalgamation or transfer takes place, the combined company or the purchasing company, as the case may be, shall, within ten days from the date of the completion of amalgamation or transfer, deposit with the Board of Trade—

(*a*) Certified copies of statements of the assets and liabilities of the companies concerned in such amalgamation or transfer, together with a statement of the nature and terms of the amalgamation or transfer; and

(*b*) A certified copy of the agreement or deed under which the amalgamation or transfer is effected; and

(*c*) Certified copies of the actuarial or other reports upon which that agreement or deed is founded; and

(*d*) A declaration under the hand of the chairman of each company, and the principal officer of each company, that to the best of their belief every payment made or to be made to any person whatsoever on account of the amalgamation or transfer is therein fully set forth, and that no other payments beyond those set forth have been made or are to be made either in money, policies, bonds, valuable securities, or other property by or with the knowledge of any parties to the amalgamation or transfer.

The Companies Act, 1948, also deals with amalgamations and by Sect. 209 power is given to acquire the shares of shareholders dissenting from a scheme or contract approved by the majority of the shareholders.

A discussion of the legal requirements is, however, beyond the scope of the present work and they are a matter upon which expert assistance would invariably be sought. There are, however, topics of a more general character to which the student would do well to give consideration.

Reason for Amalgamations. Though one used to hear many and varying reasons advanced for the amalgamations of the past, a great many of them were the mere creatures of idle gossip and could be treated as such. The reasons for amalgamations can be said to be two. A company finding itself in difficulties or likely to find itself in difficulties takes shelter with another office, or a company wishing to expand its business makes an offer to acquire the business of another company with this end in view.

Whatever may have been the case in the past the first reason is

hardly likely to be the cause of many amalgamations in the future. The stability of all the big companies at the present day seems beyond question, and the stringent provisions of the 1946 Act should effectively prevent trouble in the future. The second cause may again operate. At the present the spate of amalgamation which we experienced in the early years of the century seems to have abated but it may break out again. This is the day of big business and still bigger business, and many insurance companies are only small compared with some of the giants of the commercial world.

There is a slight variation of this second reason which has been the cause of many amalgamations in the past. A fire company wished to extend its operations to marine insurance or to commence accident business. What better way to commence than to acquire a marine or accident company? There is the nucleus of the new department, an expert staff, and at the same time a new connexion from which to obtain fire business. For this reason all the specialist engineering offices have been acquired by one or other of the big fire companies. In the same way the smaller offices operating principally among a certain profession, as for example the legal offices, have found their way to or rather have been sought for by the big composite offices. In fact, this is the way in which the composite offices—which simply means offices which transact every class of business—have come into being. There are also the cases where two big offices have joined forces.

Method of Amalgamation. The terms of each amalgamation differ, each case being dealt with on its merits—as the term is used when justifying non-tariff rates—but the methods fall into two broad groups. In one the acquired company is bought—the business being taken on to the books of the acquiring company—and the acquired company liquidated. Possibly new policies are issued, though this is not absolutely necessary. In this way the company acquires the business, but it does not take over the company, and the goodwill and reputation of the acquired company which have been probably built up by many years of hard work are rapidly lost. The more modern method is to acquire the shares in the company, the acquiring company becoming the shareholder in place of the old proprietors and running the company as a separate

entity. Some of the directors are given a share-holding in order to constitute the statutory number of shareholders, and to all outward appearances the company continues as before. It is behind the scenes that the interesting developments take place. The acquired company is given the advantages of association with a large and powerful group. In fact, this is a sort of insurance big brother scheme. The acquired company has the advantages of the better reinsurance facilities enjoyed by the acquiring company, is able to obtain supplies on the more advantageous terms which they can obtain, and it has all the advantages enjoyed by a big company which by itself it could not command.

Financial Basis. The financial basis of amalgamations has varied considerably and in this connexion there are different schools of thought. By one it is considered that the better method is to offer the old shareholders shares in the acquiring company in exchange and by this means retain their interest and support. The supposed advantage is in many cases illusory. It is probably the case that people hold insurance shares because they believe in such shares as an investment and that each shareholder has shares in many offices and that you do not necessarily retain his support by this means. The great disadvantage is that it greatly increases the capitalization of the acquiring company possibly far beyond its real needs, and therefore lessens very considerably the possibilities of increased dividends.

The other school considers it preferable to pay in cash or in fixed interest securities and redeemable securities such as debentures. By this means the cost is fixed once and for all, and in course of time the securities can be redeemed and the purchase finally paid for.

Examples of both methods can be readily found. There is one big composite office which made its purchases for cash and very good purchases they were too, and another which paid in cash and debentures, and the respective merits can be judged.

The American expression "running mate" is sometimes applied to an associated office. It is expressive and self-explanatory.

What is Gained by Amalgamation? The advantage gained by an amalgamation depends largely upon the particular fusion and what were the reasons for it. Where a composite office has acquired a specialist office their object is to enter that field of insurance,

to be in a position to offer facilities for these insurances to their existing connexions and to try to obtain other classes of business from the clients of the engineering office. In addition to this it may well be that they can obtain a good return on their investment from the dividends declared by the acquired company.

In the case of one company acquiring another which transacts a similar business to its own, the underlying idea is probably in the first place that it is a good investment, and in the second place that it can be made an even better investment by the economies which joint working and co-ordination can bring about.

Two big offices working side by side in close co-operation can undoubtedly effect economies; whereas it is probably undesirable to amalgamate the business-getting departments, part at least of the claims departments, and other activities of the company can be run jointly.

One reinsurance department and one tariffs department can serve both offices. While it is probably desirable that the claims by the policyholders of each office should be dealt with by an official of that office, claims by third parties and by workmen can be dealt with by a joint organization which will probably be a bureau if there are several offices combined in the group.

Stationery and printing can be dealt with by one department for both offices. In short, the idea would seem to keep the field force distinct but behind this front line to join up in every direction, one joint office behind the several field forces.

The big composite offices are at the present time all steadily tending in this direction and it would seem that this is the goal which they will eventually reach.

What is Lost by Amalgamations? It is occasionally said that amalgamations are far from being an unmixed blessing and that they are to be deplored for two reasons—

1. They diminish competition and this is to the disadvantage of the insuring public.

2. They destroy opportunities for that most deserving person—the insurance official.

The first will soon be found to be without foundation—there are still enough offices to make competition desperately keen. It will never be possible for anything in the nature of a monopoly to be

formed. As soon as such a state of things is in sight there will be a crop of new companies formed. There is usually such a volume of capital waiting for remunerative employment that there would be no difficulty in floating new companies. The only monopoly possible, we do not say probable, is a State monopoly.

As regards the second argument, it is true that there are few general managerships at the present day in consequence of so many offices losing their independence. At the same time a title is not everything. The opportunities available on the staff of one of the big offices are immeasurably greater and more valuable than those afforded by smaller offices. The security and the privileges are not to be compared, and while there may be one post of general manager there are numerous others which, though designated by less imposing titles, are remunerative and responsible.

CHAPTER XV

THE LIFE DEPARTMENT

WE can now turn to a study of the routine of the various sections of the life department—new business, renewals, claims, etc.

I. NEW BUSINESS

There are four principal sources of business, apart from reassurances—branches, agents, brokers, and direct application. The last-mentioned is, unfortunately, comparatively small, except in the case of one or two mutual companies that do not pay commission.

BRANCHES

In the majority of companies, proposals can be accepted only at head office. The function of branches is, therefore, generally to secure business through its agents or by direct canvass, to arrange medical examination, to obtain the necessary reports from the private referees, agent, and, if required, the proposer's medical attendant, and to forward these, together with the proposal, to head office. Some branches take an exact copy of every proposal for purposes of future reference. Others keep a proposal book, containing particulars of each case, such as date, full name, address, occupation, sum assured, class of policy, age at entry, date of birth, agency, commission terms, etc. The policy would be prepared at head office and possibly a loose carbon copy would be sent to the branch to form the record. In other offices, the branch record is a bound register in which particulars of all policies are written. If the age is admitted the register is marked accordingly. The branch index of policies is usually made up of cards filed in alphabetical order of surnames; it shows names, date of birth, and all policy numbers.

HEAD OFFICE

The various processes on receipt of a proposal at head office will now be dealt with, as far as possible, in their natural chronological sequence.

Proposal. The first step is to scrutinize the proposal carefully in order to see that it has been duly signed, witnessed, and dated, and that all the questions have been fully and definitely answered. Dashes and ditto marks should not be accepted; their legal effect is dubious, and in the event of subsequent dispute they may be construed, if possible, in favour of the proposer. Any ambiguous, inadequate, or evasive answers will generally necessitate further inquiries. And if the form has been completed in the handwriting of anyone other than the proposer, it is desirable that the declaration should embody a statement to the effect that the answers have been taken down at the dictation of the proposer, that he has read them through, and that he agrees that they are correct.

Facing. If the proposal is found to be in order, it is desirable to "face" it as soon as possible, even if none of the necessary reports has yet been received. This process consists of fastening to the face of the proposal a printed form containing spaces for filling in details of the principal particulars, together with a space at the foot of the form for ultimate acceptance, declinature, or postponement. If there is a previous policy on the life, the original papers must of course be obtained and are sometimes placed with the fresh proposal, after they have been carefully scrutinized.

Proposal Books. Some companies keep a proposal book, in which they enter particulars of all proposals as they come in. This book, of course, requires indexing for subsequent reference during the course of completion. Cards meet the case equally well and are more convenient in practice. But, generally speaking, neither books nor cards are essential if proposals are "faced" on arrival and carefully filed according to their various stages of completion, which may be conveniently marked on the facing papers. The preparation of head office index cards before allocation of policy numbers also facilitates ready reference to pending proposal papers. All outstanding cases should be looked through periodically.

Reports. Before proceeding to arrange medical examination, one or more of the following reports are usually required—

1. *Private Referee's Report.* This is not so generally demanded as it used to be in years gone by. But it is still sometimes called for in the case of large policies, more particularly if there is any reason to suspect the habits of the proposer. The questions ask for

information as to past and present health and habits, hereditary predispositions, and so on. Some companies require reports from two intimate friends, or a relative or doctor, and if a referee is found to be a comparatively recent acquaintance, another name is asked for. Generally speaking, however, these reports are not very helpful, and it is seldom that anything can even be read between the lines.

2. *Agent's Confidential Report.* Where the business has come through a branch or agency, a confidential report is sometimes required from the agent. This, again, is not usually very illuminating, as it should at least be presumed that the agent would not submit business unless it were of a reasonably satisfactory character. The precaution, however, is found desirable in some cases. The questions are similar to those in the private referees' report, but with additional questions as to the proposer's financial position and the object of the proposed assurance.

3. *Medical Attendant's Report.* It is sometimes desirable, especially in the case of large proposals, to ask for a report from the proposer's usual medical attendant, if there is anything in the proposal to indicate treatment for any serious complaint. Full particulars of the course of the complaint and its treatment will be required. In some cases, after the ordinary medical examination has been made, the company's principal medical officer may suggest that a report be obtained from the usual medical attendant or from the surgeon, if an operation has been performed on the proposer.

4. *Inspector's Report.* In non-medical cases a report is called for from the inspector. It is regarded as essential that the inspector should interview the proposed life and assist in the underwriting by commenting on his appearance, e.g. build and complexion. An inspector's report may also be called for in cases of doubtful habits.

MEDICAL EXAMINATION

The importance of a careful and thorough examination of a proposer by a competent and experienced medical officer can hardly be over-emphasized, since the assessment of the risk depends largely on his findings and recommendation. The selection of local practitioners to act as medical officers for the company needs, therefore, a good deal of discrimination. The advice of the principal medical officers at head office may often be sought with advantage

in this connexion. In any case, their qualifications and experience must be carefully considered. And it is, moreover, too often overlooked that the medical examiner is sometimes apt to regard the examination from a standpoint different from that of the actuary or the principal medical officer. For purposes of life assurance it is not sufficient merely to make a sound diagnosis; this is only of value if it forms a satisfactory basis on which a sound prognosis at head office is made.

It is the usual practice of companies to keep a list—preferably a card index—of their medical officers in the provinces. This list or index should show the doctor's full name, date of appointment, and qualifications.

When all the necessary forms and reports in connexion with a proposal have been obtained, the case goes forward for medical examination. If the proposer lives within reasonable distance of head office, he is requested to attend there at a stated time for examination by one of the principal medical officers. If this is impossible or inconvenient, arrangements are made for examination locally, as is done by the great majority of branch offices, and, in some cases, by agents or district representatives. A blank medical report form is sent to the doctor, with a letter informing him that the proposer has been asked to call upon him and that on receipt of the report his fee (stated) will be forwarded. He is particularly requested not to give the proposer any information as to the result of the examination. At the same time, the proposer is asked to call on the doctor. Sometimes the proposer, especially if a woman, prefers to be examined by his (or her) own medical attendant. This should generally be discouraged. For although the latter is no doubt in a position to give a fuller and more accurate report than a stranger, he is sometimes placed in a very invidious situation, which is not fair either to him or to the company.

The medical report consists of two parts—

1. *Questions by Medical Examiner to be Answered by Proposer.* These are generally taken down by the doctor at the proposer's dictation, and signed at the foot by the latter. They include name; age; occupation; single or married; family history; hereditary tendencies; present and general state of health; particulars of any diseases; whether, and if so, when, suffered from such complaints

as giddiness, fits, paralysis, nervous disorders, consumption, blood-spitting, asthma, bronchitis, lung affections, faintness, palpitation, disease of heart or blood vessels, jaundice, rupture, appendicitis, piles, fistula, venereal disease, stricture, kidney or bladder trouble, gout, rheumatic fever, varicose veins, tumour, deafness, discharge from ear, or from the effects of any accident; duration of illnesses; details of operations, X-rays and special diets; habits, active or sedentary; quantity of stimulants taken daily; special circumstances that might affect the risk. The proposer then signs a declaration to the effect that the answers to the above questions put to him by the medical examiner are true and complete; it may also state that the information as well as the proposal is the basis of the contract.

2. *Report by Medical Examiner.* The preliminary questions generally include the extent of the medical examiner's knowledge of the proposer, whether his general appearance and development are good, whether there is reason to suspect past or present intemperance, and his height and weight.

Then follow questions as to whether the medical examiner can find any evidence of disease of any organ—heart, arteries, lungs, abdomen, kidneys, bladder, nervous system, etc. With regard to the heart, questions are asked as to its size, position, impulse and rhythm, the pulse rate and blood pressure, and the nature of any murmurs present. A test of the urine is required for albumen and sugar, though a complete analysis is not usually demanded by British companies; the specific gravity is also sometimes asked for. Questions are also asked as to whether there is any evidence of syphilis, gonorrhoea or stricture; whether a properly adjusted truss is worn if hernia is present; whether the condition of the teeth and gums is satisfactory; and, finally, whether the medical examiner has observed anything else in the course of his examination which may affect the value of the life for assurance purposes. In the case of a woman, it is usual to ask whether the periods are normal, whether she is pregnant, whether any previous confinements have been normal, or whether there have been any miscarriages. The medical examiner is then requested to state whether he regards the proposer as an unexceptionable or only an average life, or whether he recommends acceptance at increased rates, or whether he advises postponement or declinature. The degree of inferiority to the normal

is sometimes expressed in the form of a percentage and sometimes in terms of an addition of so many years to the age. It is, however, the business of the actuary to convert the estimated inferiority into a monetary equivalent, that is, either into an addition to the premium or into a fixed or decreasing deduction from the sum assured.

On completion of the medical report, it is forwarded to the head office or branch, as the case may be. It is then attached to the rest of the papers, which are submitted for perusal to the actuary or manager, who may in some cases consider it desirable to consult one of the principal medical officers if the medical report is not entirely clear or satisfactory. When all is in order, the case is placed before the Board, or one or more members thereof, for acceptance. Sometimes the Board may delegate the chief officer of the company, or assistant officials, to accept proposals up to a certain sum assured.

MEDICAL FEES

The scale of fees payable to local medical examiners has been fixed as a result of negotiations between the British Medical Association and the Life Offices Association and the Associated Scottish Life Offices (which has a working arrangement with the L.O.A.).

The first arrangement was in 1920, but the scale has recently been under reconsideration and the fee payable for ordinary examinations is now £1 11s. 6d.

For exceptional cases or when a very detailed report is required or the opinion of a consultant is required a special fee is payable, and in cases where the sum assured does not exceed £300 (e.g. industrial assurance and other minor policies) the companies have the alternative of using an agreed shortened form of report at a fee of 10s. 6d.

In order to avoid misunderstanding it is usual when sending the report form to the doctor to state the fee which will be paid and this is remitted immediately on receipt of the report.

This arrangement has no application to the fees which are paid by other departments. The usual fee in the case of an accident claim is £2 2s., but more is paid in cases of difficulty or where a leading specialist is asked for a report.

When a medical report has been received and found to be in order, a cheque is drawn for the fee and the amount entered either in the

proposal book or in the medical fee book. It is a convenient practice to keep a separate banking account for medical fees, amounts being paid into it from the general account from time to time as required. It is also a convenient plan for the cheques to be printed with a receipt at foot or on the back, so that the signature may serve also as an endorsement. The cheque is thus self-explanatory.

NON-MEDICAL BUSINESS

In recent years there has been a remarkable increase in the amount of life assurance granted without medical examination. Some people object to seeing a doctor or say they have no time to do so—though a timely "vetting" may possibly save their lives. Most companies, therefore, nowadays cater for these objectors. The proposal form, of course, contains more numerous questions than in the case of the ordinary proposal form. In fact, the questions more or less follow the lines of those contained in the medical report under the heading "Questions by the Medical Examiner to be answered by the Proposer." Moreover, there is usually a maximum limit to the amount of a policy under this plan. In the case of the majority of offices this limit does not exceed £1,000; in some cases it is £2,000; a few exceed this amount, while there are two or three which impose no limit whatever. It may be mentioned that in many cases the limit depends on the class of policy. There is always, however, an age limit, usually 50 years; with some offices it is 45, while in others it is 55 or even 60 years; but in cases where the limit is over 50 the maximum sum assured is usually comparatively small. It should be mentioned in this connexion that the offices invariably reserve the right to call for medical examination in any cases where they may consider it necessary.

ACCEPTANCE

As soon as the proposal has been accepted, the terms of acceptance, that is, whether at ordinary or increased rates, must be communicated to the proposer, either direct or through an agent or branch, as the case may be. This is done in the form of what is known as the "Acceptance Letter," which states that the proposal has been accepted and that on payment of the premium mentioned the policy will be prepared and forwarded. It also stipulates that

the risk shall not commence until the premium has been paid, and that if it is not paid within a certain time, say, two or three weeks, further evidence as to health may be demanded. It further provides that the company reserves the right to decline to complete if any material circumstance affecting the risk should occur before the premium is paid, and that any such circumstance must be communicated, otherwise the assurance will be void. The name and address where the remittance is to be made is then stated, and it is usual to add that the official receipt issued by the company is the only one that will be recognized. If evidence of age has not been already produced, it is often pointed out in the acceptance letter that as it will eventually be required, the proposer is recommended to send it without delay.

ADMISSION OF AGE

As the assessment of the risk is dependent on the age of the life assured, it is obviously necessary that formal evidence as to his date of birth should be forthcoming. The desirability that the evidence should be furnished immediately may be pointed out by means of a loose slip accompanying the letter of acceptance. If it is not produced during the currency of the assurance, it will generally be required when the policy becomes a claim. The usual evidence is a certificate of birth, but a certificate of baptism showing the date of birth is often accepted. If neither of these proofs is obtainable, a certified extract from a family Bible will be treated as sufficient evidence. Many large employers, such as banks, railway companies, the Civil Service, etc., require evidence as to date of birth before making appointments on their staff. Assurance companies are, therefore, sometimes prepared to accept certified copies of their records as sufficient proof of age. A more modern practice is for the company to apply in every case for a shortened form of certificate and bear the cost itself. When the necessary evidence has been produced, the company's policy register is marked accordingly, and a copy of the evidence is often made and placed with the original proposal papers. The policy is also marked "Age admitted," and initialed with the date. Alternatively, if the policy has already been dispatched, a gummed printed slip is filled up and sent to the policyholder to attach to his policy.

It is sometimes provided in the policy that if the age of the life assured is subsequently shown to exceed the age originally stated, the position will be that such sum only will be payable as would have been assured by the premium actually paid on the basis of the correct age.

COMMENCEMENT OF RISK

When the first premium has been received in accordance with the terms of the acceptance letter, the risk commences, and the case is then entered in the New Business Completed Book. A receipt is issued stating that an assurance having been this day completed by the proposer (named) to the amount of £ on the life of , a policy will be forthwith prepared and delivered as directed. The amount of the premium is, of course, shown, and possibly the policy number.

When the policy has been prepared and checked, the policy register and index are written up and checked; and where a proposal book is also kept, the "completed" column is marked with the date of completion.

The new business completed book or the policy register may be made the source for obtaining particulars for writing up the records for renewal purposes, and for preparing the new business figures and commission statements. Frequently, however, the proposal is the source of the renewal record, or use is made of a copy of a master card prepared when the policy is being typed.

POLICY

The next step is to prepare the policy. Its most modern form—called the schedule form of policy—consists of a few printed clauses setting out in general terms the basis and conditions of the contract. One of these clauses incorporates (by reference) the schedule printed below. The latter contains spaces for insertion of full details of the particular contract, such as name, address, occupation of the assured and life assured, date of birth, age admitted or not admitted, sum assured, when payable, to whom payable, with or without profits, date of assurance, premium, how and when payable, and date of ceasing (if not payable for the whole term of life), and special provisions (if any). The policy is also dated, and this date is

not necessarily identical with the date of commencement of the assurance.

It is now the usual practice to type particulars on policies ; and therefore, in view of the fact that typewriting can be erased more or less effectively, it is a sound plan to make a definite rule that no typing errors, however trivial, should be corrected by erasure ; the policy form must be destroyed. But if a mistake is subsequently discovered after the issue of the policy, the error may be ruled through, and then typed or handwritten over, provided it is initialed by a responsible official of the company. Or the error may be corrected by means of an endorsement.

With regard to the execution of the policy, the practice of companies varies considerably, according to their rules or articles of association. In some cases, these provide that the company's seal shall be impressed and that one or more directors shall sign, as well as an officer of the company. In others, sealing is not required, but the signatures of a director and an official are necessary ; while in some companies, more particularly those issuing very large numbers of policies, a director's facsimile signature is printed on the form and only an official is required to sign by hand. Again, sometimes a rubber-stamp is used for the facsimile signature. For purposes of formal official record, the numbers of the policies executed each week are often stated in the board minutes, as well as the number of proposals accepted and cases completed.

It is not the purpose of this chapter to describe in detail the procedure in the preparation of various classes of policies. This subject is dealt with fully in other text-books. It is intended here to give merely a brief outline of the general methods and routine of the new business department. It is, however, very important to note that as the policy sets out the precise terms of the contract—it is, in fact, the primary evidence of the contract—it is essential that it should be absolutely correct, for any errors or ambiguities would generally be construed against the party who drew up the contract, that is, the assurance company. The usual practice is to prepare the policy from the proposal and facing paper, the latter, of course, having already been prepared from and checked with the former as regards most of the particulars, the premium being afterwards inserted and checked. The policy is then independently called back

with the papers. The policy register is next entered up from the latter, and the policy is finally called back with the policy register, thus securing a valuable triangular check.

As regards stamping, it is a convenient plan to have this done before the policy is executed. Stamping is necessary within 30 days after execution, but the Inland Revenue authorities are prepared to stamp a policy bearing a date more than 30 days prior to presentation, provided that it has not been executed. In practice, policies are sorted according to their requisite stamp values, and the numbers for each value are entered on a special Inland Revenue form. A policy stamp book is kept for purposes of record and account. Stamp values can be recovered in respect of spoiled forms, if the claim for recovery is made within six months of the date of the impressed stamp.

After the policy has been stamped and executed it is then ready for dispatch. As a convenient method of routine, the policy envelope may be prepared at the same time as the policy is being written ; it saves a separate reference to the papers. The envelopes should be kept in policy number order, and when the policies have been re-sorted into this order after stamping the process of dispatch is a simple one. It is first of all necessary, however, for purposes of record, to enter them in the " policy dispatch," or " policy delivery " book, as it is sometimes called. This book is ruled in columns for the policy number, name, address, date of dispatch, and date of acknowledgment. Various enclosures often accompany the policy, such as a stamped and addressed acknowledgment post card ; a covering letter advising the assured to read the policy through carefully, to keep it in a place of safety, and to notify the company of any change of address ; and, if the age has not been admitted, there is a recommendation to produce formal evidence of date of birth in one or other of the ways mentioned.

From time to time, the " acknowledged " column of the policy delivery book is " swept " in order to ascertain the cases where the acknowledgment post card has not been returned. If it has not been received within a week or two, a reminder should be sent. These post cards should be carefully preserved with the papers.

As soon as the policy has been dispatched, the papers should be placed in their respective envelopes, which should bear the policy

number in bold figures, and the surname, followed by the initials, should be clearly typed beneath. They may then be filed. Where there is a previous policy or policies, the practice of companies varies. Each set of papers may be filed separately, in which case it is necessary to refer to the index in order to obtain all the papers referring to the same life ; or the papers may be filed either under the earliest or under the latest number.

Records should be kept of all cases postponed, declined, or not carried through. The cases in each group should be filed, either alphabetically, in years, or by reference numbers, a card index being kept for purposes of convenient reference.

REASSURANCES

The disturbing effect of a large claim is the principal reason for the practice of reassuring part of the risk. The amount that companies are prepared to retain varies to some extent, but anything from £10,000 to £15,000 may be regarded as the most usual limits.

In practice, proposals for large amounts are accepted by the board subject to reassurance of a stated sum. Before advising the proposer of acceptance, therefore, copies of all the papers are made and submitted to other companies, offering them reassurances either up to their full limit or for a definite sum. When the required amount has been placed, the usual acceptance letter is sent to the proposer, and on receipt of the premium the guaranteeing offices are at once advised to consider themselves on the risk from that day. Cheques for the proportionate premiums, less commission and proportion of stamp charge, are then drawn and sent to the guaranteeing offices, who thereupon prepare their forms of guarantee, which are affixed to copies of the original policy and thus attract 6d. stamp duty as an agreement. Generally speaking, the terms of the reassurance are identical with those of the original policy and the guaranteeing office agrees "to follow" in every respect. But this is not necessarily so in all cases, as there may be special reasons for variation.

Most companies have subscribed to and adopted the reassurance agreement prepared by the Life Offices Association in 1900. This agreement may be briefly described as consisting of a set of

rules which govern the practice of companies in connexion wit reassurances. The agreement is too lengthy to reprint in this book but most offices no doubt have a copy for reference, and the studen is recommended to read it.

II. RENEWALS

Although it is the invariable practice of insurance companies t send renewal notices, they generally explain on their forms tha they are under no obligation to do so under the terms of the polic or the rules of the company. And they often add that it must b understood that the absence of notice from any cause cannot b accepted as an excuse for non-payment of premiums. But policy holders have come to regard any omission or irregularity i this connexion as a cause of grievance. And the managemer of companies, therefore, now consider it a business obligation t send notices regularly. The renewal department has consequentl become an important part of every company's system.

Records. As soon as the first premium under a new policy ha been paid and the case has been entered and checked in the ne business completed book and policy register, the renewal records ar compiled from one of these books or possibly from the propos papers or a copy of the master card (see page 235). These record may take any one of the following forms: books, cards, numbere cards, or printing plates. (The last-named may be either sma metal strips or stencil cards in frames.)

Books. The earliest form of record is the renewal book, of whic there are two principal varieties—

1. A separate book (or books) for each month, which has th defect of necessitating interlining for any increases in renew frequency or for transfers from branch or agency to head offic that is, if the records for the former are kept in different sets c books.

2. A book (or series of books) through which the policy numbe run consecutively, and where the renewal months are indicated b marks or month-numbers in a series of columns to the left of th policy numbers and the other renewal particulars. This plan more convenient than (1), but the principal objections are: (*a*) I is necessary to go carefully through every page each month, althoug

most of the earlier cases have probably been ruled out ; considerable time is thus wasted ; (*b*) changes in renewal frequency often result in obscure or confused entries ; liability to mistakes is thus caused ; (*c*) if head office, branch and agency cases are all kept in the same series, the respective notices require sorting out after writing and checking, and if they are kept in separate series, transfers will necessitate interlinings, which are not conducive to clearness. The book system is, therefore, now generally passing out of use.

Cards. A more modern method of keeping renewal records is the adoption of cards, preferably tabbed in twelve positions to indicate the renewal months. They are sometimes, however, arranged in separate series according to months, as described in the previous section. Where tabbed cards are used, alterations in renewal frequency can be conveniently made by cutting off the tabs not required, or writing a fresh card bearing the necessary number of tabs, as the case may be. The principal advantage of cards is that cancellations can be removed simply by withdrawal, thus saving much time in writing and checking ; and reinstatements can be made by merely writing and inserting a new card. And, further, there is more space for alterations than in the case of a book.

Branch or agency cases can be kept in policy number order with the head office cases, and their renewals can be picked out during the checking process, or they can be kept in separate drawers for each branch. It is very important, however, that the drawers be kept fitted with locking-rods and the keys be entrusted only to responsible people.

Punched Cards or Printed Plates. It is probable that most companies have now mechanized their renewal systems by using Powers-Samas or Hollerith machines for the preparation of notices and receipts and for listing purposes. Alternatively, Addressograph or Adrema machines may be used to prepare notices and receipts, whilst Powers-Samas or Hollerith machines are used only for listing. This system introduces a useful automatic check which can be brought into operation by adding the premiums shown on the receipts and balancing the total against the total shown on the list prepared on the punched card machines. Of course, compensating errors are not thus revealed.

Considerable work can be saved by having only one plate and one card for each policy irrespective of the frequency of renewal, which can be indicated by a colour system.

Punched cards can have the dates of final payments, premium changes, etc., punched therein and, by passing all the cards for a particular month's renewals through the sorter, all the cards to be amended before the printing of lists can be extracted for investigation. This system enables cards for policies under which the final premium fell due at the previous renewal to be extracted—by reference to previous listing—and also new cards to be prepared for final proportionate premiums and premium changes.

Notices. The particulars given on renewal notices have already been mentioned. The form of the notice varies considerably in different companies, but the following points are generally mentioned—

1. The days of grace allowed for payment.
2. Notices not to be regarded as obligatory.
3. Remittances to be made free of expense.
4. How cheques and orders should be made payable.
5. Permanent changes of address to be notified.
6. Notice to be produced on payment of premium.
7. Policy number to be quoted in correspondence.
8. Office hours.

When the notices have been written from the books or cards, they must be carefully checked from those records. If mechanized methods are used, checking is obviously unnecessary, except to account for omissions or insertions; this, however, is done in a later process when checking the list, and will be described later.

Receipts. Receipts are most conveniently written from the notices after the latter have been checked, and they may be called back with the renewal list, as described in the following section. But where notices are printed, the receipts are similarly printed, as previously explained.

Renewal List. After the notices have been written and checked, it is necessary to prepare a list of them for accounting purposes. Where books or cards are used, the list is most conveniently made by transcript from the notices. But under a system of mechanization, the list can be printed in the manner already described

If a punched card machine is used, multiple copy lists with carbons enable as many copies to be printed as may be required.

A convenient plan for facilitating a comparison between the current and previous year's lists—particularly where the plate method is used—is a system of "Alteration" cards. Whenever an alteration of any kind occurs affecting a policy's renewal particulars, a card is written showing the details of the change. These cards are prepared direct from the office alterations book and cancelment books. Along the top of the card are twelve squares, in which the months January to December are printed. Any months that are inapplicable during the ensuing year are struck out, and the last two figures of the year are placed beneath the future renewal months that will be affected. A mark may be made against the last of these to show when the card may be removed and destroyed.

The cards are placed in policy number order, preferably in quarters, e.g. January, April, July, and October cases in one series; February, May, August, and November in another; and March, June, September, and December in a third. When comparing the lists, therefore, any discrepancy will be immediately brought to light and explained by reference to the card. The only general class of cases not covered by the system is that in which premiums are not paid for the previous half-year or quarters. Such cases, and perhaps certain others, should be entered in a "Query" book and cleared up subsequently.

The system is very elastic and adaptable, and may be conveniently applied to alterations in renewal frequency, changes in renewal month, transfers from branch to head office, or vice versa, cancelments, reinstatements, premium reductions, notices sent in advance, and so on.

General Points. There are one or two other general points to be borne in mind when dealing with renewals.

1. Policyholders living abroad often ask for their notices to be sent a month or two in advance. It is desirable to keep lists of these under their respective renewal months, and deal with them specially. It must be remembered that the notice must be sent off in the "advance" month without listing it, or preparing a receipt; and in the "due" month no notice must be written—or at least sent off—

but it must be included in the list and a receipt must be prepared. There is no difficulty in devising the details of the system, but special care must be exercised in its administration.

2. Premiums are often paid in advance, which is a source of danger to the department. The renewal record should be marked or treated accordingly, but, as an additional safeguard, "paid in advance" cases should be listed under the future "due" months and referred to before notices are dispatched. It is, of course, necessary that such cases should be listed for purposes of record and marked as paid under the cash book reference. If punched cards are used, an alternative system of dealing with premiums paid in advance is to debit the premiums at the time of payment and suitably punch the card so that on the relative due date the premium is not debited. Prior to the next due renewal date a fresh card is punched showing the premium to be debited.

3. In all cases where premiums are not paid by the end of the month following the renewal month, the records must be so marked or treated that no further notices can be sent out until the overdue premium is paid.

4. Care must be taken to prevent notices being sent out after premiums should have ceased, as in the case of limited payment policies or policies matured. In the case of books and cards, these records can be marked accordingly, and in the case of plates the changes can be noted on the index. The method to be employed with punched cards has already been mentioned.

5. The receipts for the cases that will be paid at the office are handed over to the cashier on the day when the notices are dispatched. The list is retained by the renewal or accounts department. As the premiums are paid, they are posted in the list. After the expiration of the month following the renewal month, the unissued receipts should be agreed with the unposted items in the list and then tabulated. The total of the unissued receipts *plus* the cash book total of premiums received should then agree with the original total of the list. It must, of course, be understood that no receipts issued to the cashiers for renewal premiums may be altered by them. Any variations from the original need receipts specially written from another book, and a distinctive posting in the list, so as to show that the item corresponds to an unissued receipt. But as

this is more an accounting question it is not the place to discuss it here.

Monthly Premiums. Most offices are now prepared to make arrangements for acceptance of premiums by monthly instalments through the bank. The policyholder signs a banker's order instructing his bank to pay so much a month to the credit of the office's banking account. In such cases, of course, no renewal notices are sent and generally only one receipt is issued on completion of each year's payments. A small addition of about 2½ per cent is usually made to the ordinary annual premium for the privilege of paying by monthly instalments instead of annually in advance. It is a convenient plan to open a separate "Monthly Premium" account at the bank for this section of the business, as it greatly simplifies the accounting.

Branch Renewals. When the branch renewals are prepared by head office, they are usually listed in detail in the branch account, and also separately to send with the renewals and receipts. Branch renewals may be kept on cards—one card for each policy with a colour scheme denoting the renewal frequency.

In a centralized mechanized accounts system, under which branches are furnished with prepared forms of receipt and notice, agency lists, and a copy of the branch list showing full details including individual amounts of premium and commission and agency code numbers, the branch work is reduced to a minimum as it is only necessary to check the data against their record cards and enter premium payments on their copy of the full branch list.

III. CLAIMS

There are several methods of procedure in dealing with claims, all of which have their advocates. But as they differ mainly in matters of detail, it is proposed merely to give here a brief outline of only one or two methods which may be regarded as more or less typical.

It is necessary to deal with the subject under four heads: Death Claims, Maturities, Surrenders, and Annuities.

It is the almost invariable practice to deal with all claims at head office, though the actual negotiations are often conducted through

the branch concerned. The duties of branches in this connexion cannot be rigidly defined, as they depend largely on the nature and extent of the company's branch organization and, in some measure, on the circumstances of individual claims. But although the functions of branches may be of an intermediary nature, it is nevertheless necessary for them to appreciate the principles underlying the various requirements.

Intimations of death or maturity, if made to a branch office, are immediately passed on to head office to deal with. But this does not necessarily mean that the duties of the branch end here. Where the claimant lives some distance from the nearest branch office, delay may be caused by conducting negotiations through this channel. But in other cases the branch office will usually facilitate and expedite settlements through being able to deal with matters on the spot.

Furthermore, it must be remembered that the tactful and competent handling of a claim by a branch manager, or one of the company's representatives, may lead to valuable introductions, which may be productive not only of new business but of an enhanced reputation of the company. In any case, even when a claim is intimated direct to head office, it is generally sound policy to notify the nearest branch office at once, and thus enable the branch manager to exercise his discretion as to whether it is a case in which his services may be immediately needed or appreciated, or whether he should approach the claimant at a later stage, when a settlement is being made. Such notification to branches is, of course, quite a separate matter from the routine advice for purposes of records, renewals, and so forth.

Death Claims. As soon as intimation of death has been received at head office, three distinct processes are immediately necessary—

1. To extract particulars from the policy register for the purpose of advising the claimant the amount payable as soon as possible.

2. To mark the policy register entry "dead," in the event of any belated notices of assignment being served or misleading information being furnished in case of subsequent reference to the register.

3. To enter the case in the death cancellation book, so as to get the policy out of the renewal records, index, valuation books, etc., at the earliest possible moment.

The particulars of the claim may be transcribed in different forms, of which three main types may be mentioned—

(*a*) On the counterfoil of a book of claim advice forms, which may be filled up from the counterfoil, torn out at the perforation, and sent to the claimant.

(*b*) On a claim sheet, which may be used as a facing paper to be attached to the original papers and the proofs of death when they come in.

(*c*) On a large, stout envelope, which will serve not only to hold all the papers and correspondence but will also act as a facing paper for showing all particulars and for admitting the claim.

It is a convenient plan to enter on the front of the envelope all particulars required for reference and for passing of proofs, and to reserve the back for listing notices of assignment, registering the grant of representation, and so on.

A space for recording the dates of production of the various proofs required is also convenient here. But whichever system is adopted, (*a*), (*b*), or (*c*), an envelope is desirable for containing the papers in connexion with the claim. The envelopes should at least show the name of the deceased and the claim number, and they are readily available if they are kept standing vertically in a deep drawer and arranged alphabetically.

In the case of the counterfoil book system, an index is necessary for purposes of reference, and the counterfoil is used as the source from which entries are made into the cancellation book. This method, however, is somewhat cumbersome and generally much less satisfactory than (*b*) or (*c*).

Serial claim numbers are also desirable—if not essential. They may be either continuous or run by the year, e.g. 47/372. The claim number may either be given on settlement of the claim where a "claims settled" book is used, or, probably better, given on intimation of the claim. In the latter case it is a convenient plan for the number to be the death cancellation book annual serial number, which should be written on the claim envelope when the entry is made in the cancellation book, and, later, in the policy register for convenience of subsequent reference and for tracing the papers after they have been ultimately filed in that order.

The necessary particulars to be extracted from the policy register

after tracing and verifying all the policy numbers are as follows: Full names of assured and life assured, date of policy, sum assured, class of policy, premium and extra (if any), how and when payable, branch or agency (if any), date of birth, whether age admitted, policy loan number, and notices of assignment (if any). The form should be printed with columns where possible, so as to provide for convenient tabulation in cases where more than one policy is involved. In order to facilitate reference, it is desirable that each policy should have a separate claim serial number, which will correspond with the cancellation book number, but, of course, this is not practicable where the claim number is allotted on settlement, as this will be in settlement sequence.

After extraction of particulars, they should be independently checked—mere calling back is not sufficiently safe—and the case should be stamped out in the policy register.

The next process is to obtain from the policy register the total amount of reversionary bonuses attaching to the policy (if any), and then to calculate and check the interim bonus.

The date up to which premiums have been paid must then be ascertained and noted, and any deductions to be made on settlement must be entered, such as arrears or balance of current year's premium, lien in lieu of rating up, policy loan and interest thereon to date of death, and so on.

In the meantime the original papers should have been procured and examined, (*a*) to see that the policies on which the claim is being made correspond with the cases disclosed by the papers; (*b*) to compare the actual notices of assignment (if any) with those extracted from the policy register; (*c*) to peruse the correspondence filed with the papers; and, generally, (*d*) to note anything that may have any bearing on the settlement of the claim.

The particulars should now be entered from the extracting form, (i.e. the counterfoil, claim sheet or facing paper, or envelope, as the case may be), into the death cancellation book, which, in its completest form, should provide columns for the policy number, name, sum assured, bonus, interim bonus, year's premium, date of death, date of settlement, and certain other particulars that may be specially required for valuation purposes where the continuous system is in operation. There should also be columns for initials,

to show that the necessary processes have been carried out or the records marked in connexion with the policy register, renewals, index, valuation, and so on.

The matter is now ready for advising. There are two principal modes of procedure. Under both methods a clear statement is made showing the gross amount payable, i.e. sum assured, reversionary bonus and interim bonus, and also either a general statement as to deductions or the actual figures set out in detail. But whereas some companies state at the outset all their requirements as regards proofs of death and title, others merely ask for proofs of death and add that, on receipt of these, the claimant will be informed as to what will be required as evidence of title. There is clearly something to be said in favour of both methods.

The proofs of death usually asked for are : (*a*) Registrar's certificate of death ; (*b*) declaration of identity (on form attached) ; and, in some cases, (*c*) a confidential report by the medical attendant of the deceased during his last illness. A certificate of birth or other evidence of age is also asked for if the age has not been previously admitted.

The proofs of title required depend on circumstances. If no notices have been received, the evidence will be production of probate or letters of administration. But where the total value of the estate does not exceed £100 (after deduction of funeral expenses, etc.), it is the practice of some companies to pay to the next-of-kin on a statutory declaration subscribed before a magistrate or commissioner for oaths. In cases where notices affecting the title of the policy have been registered, it is usually necessary to require production of all the deeds referred to.

The problems in connexion with investigation of title obviously cannot be discussed here ; it is sufficient to say that the object of all such investigations is to ascertain who can give a valid discharge for the policy moneys. In many cases an official of the company, who has specialized in this subject, can generally be relied upon to determine the validity of a claimant's title. In others, particularly where obscure or unusual points arise, reference to the company's solicitors is necessary. The costs of the latter have to be borne by the company.

As the various proofs are produced, the dates of receipt should

be noted on the claim envelope for purposes of reference. A printed list, with spaces for insertion of dates received, is a convenient plan, e.g.—

Proofs of Death	*Proofs of Title*
Notice received	Probate, etc. .....
Birth Certificate.....	Deeds .. ..
Death Certificate	Policy .....
Medical Certificate	Cheque posted .....
Declaration of Identity	Acknowledged .....

Where probate or letters of administration are required, full particulars should be recorded in the probate registration book (if any), or on the facing paper or claims envelope, as the case may be. It is usual to record at least the Probate Court or Registry, the full names of the deceased and his executors or administrators, the gross value of the estate, and the date of the grant. The extract must, of course, be independently checked before returning the grant.

Finally, after all proofs have been submitted and found to be in order, a form of discharge is sent to the claimant, who is informed in the covering letter that on its return duly completed, together with the policy, a cheque will be either handed over in exchange or, if preferred, forwarded by post. If the latter method is adopted, it is not unusual to enclose a stamped post card addressed to the company in order to ensure an acknowledgment. It is also often arranged for the matter to be finally completed through the medium of a branch office. But where this is done for the benefit of the branch business, or for the convenience of a claimant, it may sometimes be considered advisable to remind the branch manager that, before handing over the cheque, (1) the discharge should be carefully scrutinized as regards signatures and witnesses; (2) any endorsements on the policy should be perused in case there may be assignments of which the company has had no previous notice; and (3) where the claimant is not applying personally, a written authority should be required from the person to whom the cheque is handed. These obvious safeguards are, of course, a matter of ordinary routine at head office, but they are sometimes apt to be overlooked when the final stage of completion of a claim is a matter of comparatively rare occurrence, as in the case of some branch offices.

Maturities. The procedure with regard to policies maturing is very similar to that of claims. It is therefore unnecessary to mention the obvious modifications in the death claim systems in order to make them applicable to maturities. For they can readily be adapted, *mutatis mutandis*. One or two special points, however, may be briefly referred to.

It is not usual nowadays for a well-organized company to wait for its policyholders (or their assignees) to claim the policy moneys. From classified lists of maturing dates, the claims department sends to policyholders full particulars of the amount payable, together with a statement of their requirements for settlement, a few days before the policies mature. This is generally much appreciated, and frequently results in another proposal.

A further point may be mentioned. Some companies do not require proof of age when a policy runs to maturity. As the rate of premium depends mainly on the term or period of endowment, a small understatement of the age at entry would mean only a trifling difference in the premium. Prompt and simple settlements are a good advertisement to a company ; and it is therefore considered better policy to secure the good will of the large majority of members than to exact a few small sums from one or two isolated cases where misstatements of age may have been made.

Surrenders. Although, perhaps, a surrender is not a claim in the strict sense of the word, it is generally regarded as a right, subject to the company's conditions, and, as such, can therefore be claimed. Moreover, it is not unusual for the quotation and completion of surrenders to be undertaken by the claims department.

On receipt of an application, the first step, as in the case of a claim, is to extract from the policy register full particulars of the policy. This is usually done on a specially printed slip, preferably a card, on which blank spaces are left for insertion of the following details: Policy number, assured, life assured, date of policy, age at entry, date of birth, sum assured, class of policy, with or without profits, amount of premium, how and when payable, whether branch or agency, loan number, and/or assignment notices (if any). The reversionary bonuses attaching are then obtained from the policy register and the date up to which premiums have been paid is

inserted. The amount of loan and date up to which interest has been paid should then be entered on the card.

After a completely independent checking of all particulars, the card is passed on to the actuarial department to calculate the surrender value, and when this has been checked it is passed back for advising. The advice is generally a printed form, which, after quoting the surrender value, states that the quotation is made subject to (*a*) title, (*b*) deduction of any loan granted by the company, with interest to date, and (*c*) premiums being paid up to date. The quotation is also sometimes stated to be given " Errors excepted."

If the applicant decides to accept the amount offered, he is sent a receipt to complete and return, with the policy, when a cheque will be handed over or sent by post. Sometimes the original advice states that on receipt of the policy a cheque will be sent. In these circumstances, a cheque with receipt at foot (or at back) is forwarded. But applicants sometimes object to this method, as it discloses the nature of the transaction. When drawing the cheque, the case must be entered in the surrender cancellation book.

Where notices have been received affecting the title to the policy, all deeds are generally required for perusal. If reference to the company's solicitors should prove necessary, their costs must be borne by the applicant, unless there is a guaranteed minimum value.

Annuities. The payment of annuities frequently forms part of the duties of the claims department. Records of payments may be kept (i) in a bound book, sectionalized for due-months and the pages ruled with columns for posting amounts and dates of payments year by year, (ii) on cards, tabbed for the due-months and ruled for recording amounts paid and dates of payment, as in (i); (a separate card is, of course, written for each policy), (iii) in a loose-leaf book with a page for each policy and ruled similarly to the cards. The objections to (i) are that the book gets clogged in time with obsolete cases and needs rewriting at intervals. In the case of plans (ii) or (iii) the cards or pages, as the case may be, can be kept in (*a*) policy number order, (*b*) alphabetical order, or (*c*) due-date order. But in the case of (*c*) a separate index for reference will, of course, be necessary.

The particulars to be recorded for each annuity in the payment

book (or card) are as follows: Policy number, full name, address, class of annuity, amount, how payable, due date, rate of income tax (if any) to be deducted, and mode of payment.

There are several modes of procedure in connexion with payment of annuities. The most usual are as follows—

1. The certificate of existence and receipt are completed and returned a day or two before the due date of payment. A cheque is then sent either direct to the annuitant or, if desired, to the credit of the annuitant's banking account. It is now a common practice to pay by means of cheques with receipt at foot. Some companies use a special annuity cheque with a certificate of existence incorporated in the endorsed form of receipt when payments are made to the credit of an annuitant's account with a bank. The bank thus certifies that the annuitant is alive to the best of its knowledge and belief.

2. The annuitant sometimes authorizes the bank manager to sign the receipt on his or her behalf, in which case the office sends a cheque direct to the bank, provided the completed certificate of existence has come to hand.

3. The annuitant authorizes the bank manager to sign the receipt on the annuitant's behalf and the former gives an undertaking not to credit the account without first satisfying himself that the annuitant is alive, or alternatively, to return the amount if it should be subsequently found that the annuitant had died before the due date; the annuitant signs a formal agreement to this effect. Where this method is adopted—and several banks are now prepared to give the required general undertaking—it is merely necessary to send the bank a cheque with receipt at foot on the day preceding the due date; no certificate of existence is required as this is covered, in effect, by the undertaking. But these cases must, of course, be separately listed in due-date order and the list must be inspected day by day to see what payments have to be made; this, however, does not arise with those cases where payment is not made until the certificate of existence has come to hand. In this latter connexion, it may be mentioned that some offices send a supply of forms to annuitants from time to time, as and when required, while others send a separate form each time, and, where applicable, a receipt ready for signing, a few days before each payment is due.

In view of the wide differences in practice, great care must be taken to see that the appropriate method of payment arranged for each annuity is clearly recorded against each policy. For this reason, cards or loose-leaf books are more spacious and otherwise generally more convenient than a bound book.

IV. ASSIGNMENTS

The legal aspect of the assignment of life policies, which is a somewhat involved branch of law, comes under another section of the syllabus, and it is therefore proposed to explain here merely the office routine of the matter. It is, however, necessary to mention the Policies of Assurance Act, 1867, which enables an assignee to sue at law in his own name.

Sect. 1 provides—

> Any person or corporation now being or hereafter becoming entitled, by assignment or other derivative title, to a policy of life assurance, and possessing at the time of action brought the right in equity to receive and the right to give an effectual discharge to the assurance company liable under such policy for moneys thereby assured or secured, shall be at liberty to sue at law in the name of such person or corporation to recover such moneys.

As evidence of title, an assignee would be required to produce the deed of assignment and the policy when making a claim, and before payment can be made, the assurance company will, for its own protection, carefully peruse the deed in order to satisfy itself that the claimant has the power to give a valid discharge for the policy moneys. And where there have been several dealings with a policy, all the deeds will usually be required, so as to prove that the various links in the chain of title are sound, and that the claimant is the person entitled to receive the policy moneys. In the case of complicated titles, it is usual to refer the matter to the company's solicitors to investigate and report. But probably a large majority of cases can be safely dealt with by an experienced member of the staff, who has acquired sufficient legal knowledge for the purpose.

But in considering the question of assignments an important point that calls for careful attention is the question of Notice. The Policies of Assurance Act, 1867, Sect. 3, provides—

> No assignment made after the passing of this Act of a policy of life

assurance shall confer on the assignee therein named, his executors, administrators, or assigns, any right to sue for the amount of such policy, or the moneys assured or secured thereby, until a written notice of the date and purport of such assignment shall have been given to the assurance company liable under such policy at their principal place of business for the time being, or in case they have two or more principal places of business, then at some one of such principal places of business, either in England, or Scotland, or Ireland; and the date on which such notice shall be received shall regulate the priority of all claims under any assignment; and a payment *bona fide* made in respect of any policy by any assurance company before the date on which such notice shall have been received shall be as valid against the assignee giving such notice as if this Act had not been passed.

It will be observed, therefore, that a record of the date of receipt of the notice is essential, as the title may be vitally affected thereby. For it may happen that an assignee's claim may have to be postponed to that of a subsequent assignee who may have served his notice before the first assignee. There are two or three minor classes of exceptions, but the general rule is that "priority of notice gives priority of title." Consequently, when perusing the deeds, it is necessary to pay particular attention to the dates of receipt of notices. And it is, perhaps, hardly necessary to emphasize that when extracting particulars of a policy from the register for purposes of a claim, surrender, loan, etc., all notices received affecting title must be transcribed in addition to other necessary details of the policy.

When a notice of assignment is received, it is most important that its date, purport and date of receipt should be recorded in the books and the entry carefully checked, and the notice itself should be placed with the original papers relating to the assurance or otherwise safely filed. The record of notices can be made in the policy register, or in a separate register and a reference to this posted in the policy register.

When acknowledgment of the notice is specifically required, the office is entitled under the Act to an acknowledgment fee of 5s., and such acknowledgment "shall be conclusive evidence as against such assurance company of their having duly received the notice to which such acknowledgment relates." It may be mentioned that the usual practice is to serve notices in duplicate, one being retained by the office and the other returned to the sender with acceptance

of service endorsed. In practice, it is most important to take note, not only of all formal notices, but also of what might appear to be merely a casual statement or reference in a letter, as it might be held to be an implied or constructive notice of a charge on a policy.

Where an assignee has no right in equity to receive the money and the Policies of Assurance Act does not, therefore, apply, he may sue at law in his own name by virtue of Sect. 136 of the Law of Property Act, 1925, provided the assignment was absolute and in writing, and written notice was given to the company.

V. ACTUARIAL SECTION

The functions of the actuarial section of a life office vary to some extent in different companies. In some the duties are almost entirely confined to such matters as the calculation of premium rates, surrender values, policy conversions, and to the periodical valuations, which are now generally carried out on what is known as the continuous system. In other companies—often for convenience of organization—the actuarial department undertakes certain other duties, such as investment and other calculations, statistical charts and records, and so on.

The work is usually under the direct supervision and control of the actuary of the company, though he often delegates the detail organization and routine of the department to one or more assistant actuaries. The latter, if circumstances require, have under their charge one or more actuarial clerks, who are selected for their mathematical—or at least specialized arithmetical—qualifications; they are usually actuarial students who have passed one or more of the examinations of the Institute or Faculty of Actuaries.

The organization of the work naturally depends on the company's activities in various directions. Generally speaking, the department is mainly occupied with making quotations for ordinary or special premium rates, devising and preparing new life assurance and annuity or pension schemes, calculating surrender values, policy loans, paid-up policies, conversions, and so forth. But where the valuation is conducted on the continuous plan, any spare time may be devoted to assisting the staff of this section of the department.

This is obviously not the place to discuss the technical details of

actuarial work, but one or two general remarks may be made on the principles of its organization and methods.

1. Fully adequate aids to rapid and accurate calculations should be available, such as calculating and adding machines, interest and actuarial tables, lists of formulae and common functions, epitomes of methods and processes, and so on.

2. Records of all calculations should be kept and made readily accessible by means of convenient references. Special premium rates should be worked in rough books of cross-ruled paper ; and a rates book for the commoner classes of assurance, showing ages and terms not published in the prospectus or otherwise printed, should be ruled up in skeleton, so that when rates are worked and quoted from time to time, they can be entered in the spaces reserved for them.

3. All calculations should be made independently in duplicate, and the final results compared ; this is a much safer plan than checking calculations previously made by someone else.

4. General supervision of work is necessary—quite apart from routine checking—in order to ensure a high standard of neatness, which is particularly essential where figures are concerned. Cross-ruled paper is generally desirable for actuarial calculations and tabulation.

5. Everything except purely routine work carried out by the staff should be independently inspected by the actuary in charge of the department, or his deputy, in order to prevent the possibility of any special points being overlooked or any unsound or anomalous quotations being made.

6. All records and data should be so readily available and the work of the department so arranged, that quotations, or any other required information, may be furnished with the utmost promptness and accuracy.

VI. STATISTICS

The statistical system of a life office is required to fulfil functions of the utmost importance to the successful conduct of life assurance. In addition to providing certain indispensable routine information a well designed system should be capable of supplying quickly the miscellaneous statements and comparisons required from time

to time in the economical and sound management of the business The statistical system of a life office should be designed to provide the following essential information—

1. The data for the periodical actuarial valuations of the liabilities of the company.

2. The statistical returns to the Board of Trade in the form required by Schedules Four and Five of the Assurance Companies Act, 1909.

3. The returns to the respective foreign governments in respect of business transacted abroad, in the forms required under local legislation.

4. The further analysis of the business by classes, and branch or agency distribution, so as to enable the working of the business to be kept under continuous review.

The requirements under (1) and (2) of the foregoing are very similar, as the analysis of data for the periodical valuations of the liabilities is usually so arranged as to conform with the statutory analysis of data required for the Board of Trade Returns. The student is accordingly recommended to obtain a printed copy of the returns made by his own or some other life office and he will thus be able to see exactly the nature of the statistics required under these headings. Many offices now make an annual valuation of their liabilities under their life assurance and annuity contracts, even though their distributions of profits are made at less frequent intervals. The process of valuation is of course a technical matter and need not be described in detail here, but the practice of making such valuations annually is a very desirable one and the necessity for an efficient method of keeping statistics is obvious.

In recent years the requirements of foreign governments as regards the statements to be furnished in respect of business transacted abroad have become much more detailed and searching, and the tendency is undoubtedly towards an increase in the complexity of these statements.

The functions of the statistical system so far mentioned are all of a routine character. It is essential that the information should be obtainable regularly with smoothness and accuracy. From the point of view of efficient management, however, the functions of a statistical system referred to in the fourth heading are very

important. The nature of the various inquiries as to the working of sections of the business may vary widely, and there will be space here to refer to only a few of these.

Where the business is of sufficient dimensions some offices take out their own mortality experience. The office is thus enabled to ascertain whether the mortality table on which their premiums and valuations are based corresponds with their own actual experience. But whether the extent of the data justifies such an investigation or not, practically all life offices to-day contribute their own experience to the combined continuous investigation, commenced in 1924, under the auspices of the Institute of Actuaries and the Faculty of Actuaries (in Scotland). The results of this investigation were first published in 1934, further results appearing from time to time. Prior to the publication of these results life offices were without any up-to-date official guide to current mortality. The offices which investigated thoroughly their own experience as regards mortality were enabled to give effect in their calculated premium rates to the marked reduction which has taken place in recent years in the rate of mortality of all classes of assured lives, in advance of the publication of the official combined results. During recent years, however, most offices have had to make increases in their premium rates on account of the fall in interest rates and higher taxation.

Again, certain large offices make investigations in connexion with their experience of under-average lives. Using the information in the possession of the claims department, the data, if adequate in volume, will afford guidance in regard to the rating of lives suffering from various impairments. Many of the larger American offices have combined their experience to provide the necessary data, and valuable results have been obtained. But, whatever the extent of an office's experience may be, it is generally worth while to study the claims statistics, not only as regards under-average lives, but also as regards standard lives. Causes of death may teach some very useful lessons.

It is also important to investigate the sources from which the new business of a life office is being derived. A record showing the inflow from the various branches or districts will enable the agency manager to compare results from year to year, and to

investigate the causes of any falling off in a district or to explore the possibilities of cultivating new areas. From the point of view of economical management of the outdoor staff of the company the importance of such a review is too obvious to need emphasis.

VII. OTHER SECTIONS

Policy Loans. In some offices large numbers of policyholders apply for loans on the security of their policies within the surrender values. The detail work is often considerable and occupies the full time of several members of the staff. The preliminary procedure is similar to that described under the heading of surrenders (*q.v.*). On receipt of an application for a loan or further loan, full particulars of the policy are extracted, and its surrender and loan values are calculated by the actuarial department. The policyholder is then advised and a deed of mortgage is enclosed for completion, provided that the title is in order; if not, the deeds of assignment of which notice has been received must be asked for. On return of the mortgage deed, duly completed, together with the policy (unless held for an existing loan), the signature is verified and the particulars of the loan are then entered in a loan listing book which forms the source from which (i) the loan number is posted to the policy register, (ii) machinery is set up for sending interest notices, (iii) the account for each loan is opened up in the loan ledger, and (iv) reconciliation is made with the amount of stamp charges received, that is, if they are paid by the borrower. It is found convenient to have two loan listing books, one for new loans and one for further loans. And there are many advantages in having the loan ledger on the loose-leaf plan; otherwise, where loans are very numerous the number of ledgers becomes unmanageable, whereas in the case of loose-leaf books the pages can be removed as the loans are repaid.

With regard to interest notices, there are two or three possible systems. A simple method is to write a "key" card for each loan, showing the number and name, and squares for successive years to be marked when a notice is written. The cards for each of the renewal months are kept separate and in loan number order for each month. When a loan is repaid the key card is, of course, removed. After posting each interest payment in the loan ledger, it is a valuable safeguard and an extra check to mark the card with a tick in the

square for the appropriate year. For this purpose the square is divided diagonally, half for the "notice written" tick and the other half for the "interest paid" tick. If interest is paid half-yearly or quarterly, the plan can be suitably adapted.

Alternatively, the addressing machine principle might in some cases be adopted for interest notice purposes. However, if the number of further loans is very large, alterations of address are numerous, and changes in the rate of income tax occur at all frequently, it is possible that the resulting alterations on the printing plates will be so great that the work involved will more than counterbalance the saving of time effected by the rapid mechanical printing of the notices.

Finally, if loan interest is collected through branches, each branch can be supplied with a monthly list in duplicate, preferably prepared on a punched card machine, one list being returned and filed at head office with the dates of payment recorded thereon. The forms of receipt for unpaid amounts will accompany the list.

Investments. This is one of the most important branches of life office work, and needs experts specially trained in the principles and practice of finance. Apart from the book-keeping side of the work, it is essential that detailed records should be kept so that all holdings may be kept under close and constant supervision, and that any information may be obtainable at a moment's notice. Cards are often found convenient for this purpose, in addition to book records. These cards would include the following details—

Heading—(*i*) Title of stock, (*ii*) Terms of redemption, (*iii*) Ledger folio; *Columns*—(*i*) Date of purchase, further purchases, sales, etc., (*ii*) Particulars, (*iii*) Nominal amount, (*a*) Addition or reduction, (*b*) Balance, (*iv*) Book cost, (*a*) Addition or reduction, (*b*) Balance, and (*v*) Average cost. Other particulars would appear on the back: *Heading*—(*i*) Title of stock, (*ii*) Dividends due, (*iii*) Accrued interest to end of financial year, (*iv*) Previous dividend record in the case of ordinary stock, Remarks, etc.; *Columns*—(*i*) Year, (*ii*) Middle market price for each month, (*iii*) Dividends paid. These cards may be filed in alphabetical order, either in one group or in groups according to the various classes of security, such as British Government Securities, Foreign Government Securities, Public Utilities, Industrials, etc.

It is also convenient to have a register for recording the dividends payable on the company's securities year by year. A loose-leaf book will best meet the case. A sheet or sheets are prepared for each month of the year. The first column contains the names of those stocks whose dividends are due in that month; the next column shows the holding; and then follow columns for the gross dividend, income tax deducted, net dividend, and date paid. The four last-named columns can be repeated so that each sheet will contain the figures for several years.

Cashiers. This work is clearly of a very responsible nature, and it is obviously important that the systems in operation should ensure the utmost accuracy and promptitude in dealing with remittances. The work of the cashiers, as also that of the accounts department, does not call for detailed description here, as it forms the subject of another section of the syllabus.

Agency. This is dealt with in Chapter XIII.

Secretarial. The work of this department is also described elsewhere, viz., in Chapter XIV.

CHAPTER XVI

THE FIRE DEPARTMENT

THE business of fire insurance has been transacted in this country for more than 250 years, and some companies still exist which were founded over 200 years ago. During this long period, the legal principles and the general practices of the business have become firmly established, but methods of working vary considerably as a result of their being constantly submitted to the test of experience and are altered and improved to meet changing needs. The general requirements of all offices however, are much the same, and in this respect the internal organization of one company is consequently very similar to that of another. It matters little whether the company is large, with an income amounting to several million pounds a year and ramifications spread over the world, or small, with an income hardly reaching six figures and business confined to the home field. The small company needs to conduct its affairs with the same care and upon the same lines as the large one, and the large company needs little beyond a multiplication and amplification of the organization of the small office.

HEAD OFFICE AND BRANCHES

The division of labour between the head office and home branches is, too, a matter of secondary importance. Whether, as in some few offices, practically the whole of the work is done at the head office, and the branches do little more than act as agents to collect and forward proposals and to distribute policies, or whether, as with other offices, each branch is a miniature head office, controlling its underwriting, issuing its policies, and settling its losses, or whether again, as is more usual, the functions of the branch lie between these two extremes, with almost as many variations of powers as there are companies, the essential things remain the same.

REQUIREMENTS OF THE FIRE DEPARTMENT

The fundamental requirements of a fire department (apart from

questions of cash, accounts, and agency control, which are discussed in other chapters) are—

1. To record proposals received and policies issued in such a way as to enable the underwriter to tell quickly what amounts he has on any risk and on adjoining premises.

2. To furnish the underwriter with all the facts which are necessary to enable him to form a proper judgment of any risk.

3. To issue policies promptly and accurately.

4. To guard, by reinsurance, against undue accumulation of risk.

5. To provide machinery for advising insured when their policies become renewable and for securing renewal instructions.

6. To deal promptly and adequately with claims.

How these requirements are met can, perhaps, be most easily seen by tracing a proposal through the books of an imaginary company.

THE ORDER BOOK

A proposal for fire insurance may be written or oral, and it may come to the company in many different ways. It sometimes consists of a fully completed form, sent by an agent or a proposer, or handed over the counter ; it may be a letter giving some particulars and asking for a quotation ; it may be made by a telephone message, in an interview in the company's office, or in one between the proposer and an inspector ; in whatever form and with however much or little detail it comes, the preliminary procedure is the same. The particulars are attached to or written on a sheet of standard size (for convenience of filing) and in most offices an entry is made in the "Fire Order Book." This book may contain short particulars of each order and a serial order number. As an economy measure some offices have dispensed with an order book. They merely file the papers in alphabetical order, and the only number allocated is the policy number. Under this system, it is important to see that no unnecessary delay occurs between receipt of proposal and issue of policy.

Those who do not favour this method allege that confusion is likely to arise when several orders are in hand at one time in the same name, unless they can be distinguished by numbers. This is particularly the case with those proposals in connexion with

which it is most important to avoid confusion, namely, mercantile business relating to goods at docks and wharves, where a mistake in identifying an order may result in wrong reinsurances being effected.

RISK REGISTERS

After entry in the order book, or before it if negotiations have been oral and it has been necessary to issue cover, reference is made to the risk registers in order to discover what information the company has about the risk, such as whether it has had a previous proposal which has been declined, or for some other reason was not completed, and what additional amounts, if any, it has on the risk, either for the same proposer or in some other name.

The risk registers, commonly called " street books " or " street cards," are usually either loose-leaf books or cards, the ponderous bound volumes of twenty-five years ago, involving weeks of work when they had to be re-written, having for the most part passed out of use. Opinions differ as to the relative merits for street record purposes of cards and loose-leaf books, but the latter are probably the more convenient and they are certainly the safer. The cards and their cabinets take up far more room than the books, and even with the most careful filing cards are apt to get out of place. The consequences of the loss of a street card, even for a short time, may be very serious, leading the underwriter to think that the company is not interested on a risk on which it actually has amounts. It must be remembered that the index is continually growing as business is opened up in new towns and villages, and that even the largest company can never have a complete street index. There may consequently be nothing to suggest that a card is missing.

Whichever form of record is adopted, the particulars entered and the methods of using the index are the same. The preliminary entry is usually made, wholly or in part, in pencil, as the amounts of the insurance are frequently altered many times before the policy is issued. The particulars entered are the reference number (first the order number and later the policy number), the date of expiry, name, sum insured, sum retained, risk (in shortest

summary, as "B/C/R, Engineer," or "Cts., Drapers"),[1] and the situation, a small space being left for "remarks."

It is usual to allot a separate card, page, or part of a page, to each street in a large town, but to enter together all risks in small towns and villages. If the premises are situated in several streets, each street must, of course, be indexed. Some risks, such as wharves in London, bonded stores in Scotland, and furniture depositories, are frequently indexed under their names—as "Brown's Wharf"; "Smith's Depository, High Street"; and so on, instead of under the streets in which the buildings are situated. In such cases cross references between the street cards and the name cards are generally advisable.

The preliminary entries are completed when the policies are issued, or when the proposals are disposed of in some other way. In the former case, the copies of policies are gone through one by one and the street entries checked and completed, and in the latter the papers are handed to the street book department for special entry. It is important that every risk which is declined should be easily traced through the street records and it is also advantageous to have an alphabetical index of the names of proposers concerned. When the street index is being posted from the copies of policies, it is necessary to look carefully through the wordings and any printed schedules which are embodied in the policies to make sure that all addresses are entered. Frequently insurances on several risks are combined in one policy. Where the item is a floating one over several risks, it must, of course, be entered at each place, a note being made that the amount does not wholly apply to any one of the addresses.

GOAD'S PLANS

The street records tell the underwriter what amounts he has on any building and on other buildings in the same street. They do not tell him whether or not he is interested in premises which adjoin or are in risk, but are entered from another street. For this information he relies largely upon volumes of plans of the central districts of all great cities in the United Kingdom, and many others

[1] B/C/R = Building—Contents—Rent.
Cts. = Contents.

throughout the world, known, from the name of their originator, as "Goad's plans." These are supplied in volumes, in which are bound up, opposite each page of plans, an outline of the page, and it is useful to mark on these outlines the amounts accepted. In this way it is possible to see at a glance what amounts are at risk on any block. The work is done at the same time as the entries are made in the street records and the notes are made in pencil, so that they may be altered from time to time. An alternative method is to have a loose-leaf index with a page for each block where the underwriter is interested. In congested districts, the block limit, that is, the total amount which may be retained on the block, may conveniently be entered upon it.

RETENTIONS

The proposal having been entered in the order book and in the street records, and a note of additional amounts, if any, having been made on it, the underwriter is in a position to fix his retention, at any rate tentatively. This he does, being guided but not bound by his "list of limits," and if the whole amount offered is not to be retained, instructions are given for reinsurance. The papers are passed to the "Guarantee Department" for entry in the reinsurance instruction book (by whatever name it is known), or, and perhaps better, the entry in the instruction book is made by the department which handles the new business. If the amount which has to be reinsured is not more than can be dealt with under the company's reinsurance treaties, cover can be issued to the proposer, agent, or broker, as the case may be, without further delay, but if any facultative guarantees are needed, these must be obtained before cover is granted. The routine of the guarantee department will be dealt with more fully below. When amounts of outstanding orders are varied, as they frequently are before final instructions are given for the preparation of policies, care must be taken that reinsurances are also adjusted.

SURVEYS

The information in the possession of the office may not be sufficient to enable the underwriter to judge as to acceptance, or, if he has decided to accept, to permit of the preparation of an accurate

policy. The risk must then, as a rule, be inspected by the company's surveyor. A note of it is entered in the " Survey Instruction Book," and the papers are placed at the surveyor's disposal, in order that he may have full particulars of the proposal. As a rule, it is better that he should not take them out of the office, but simply make notes from them. His report, when made, should usually be submitted personally to the underwriter, so that it may be supplemented, if needed. A good deal can sometimes be explained orally which cannot well be set out in black and white. The surveyor should always work out the rate, if a tariff applies, but when inspecting a risk he should never quote.

Surveyor's plans and reports of small risks are often made on cards; of large risks, nearly always on loose sheets. They must be indexed under the addresses and filed under a reference number. It is not advisable to keep them with the order papers.

OUT OF DISTRICT PROPOSALS

If the proposal relates to a risk which is situated outside the district under the control of the office to which it is made, reference must be made to the proper branch before a firm acceptance is made or cover is issued. Any survey required will be made by the branch controlling the area in question, not by the branch receiving the proposal. The practice of offices varies as to the issue of the policy in such cases. With some companies the policy is issued by the branch to which the agent introducing the business is attached; with others the business is passed to the credit of the branch in whose district the risk is situated and it issues the policy. This is a matter of agency and branch control which is rather outside the scope of this chapter; whichever practice prevails, it is bound at times to cause heartburnings to branch managers. Probably the most generally acceptable method is to allow the business to follow the agency.

COMPLETION OF PROPOSALS

It has been assumed that the proposal was promptly acknowledged if it was received by post and that all necessary correspondence has been conducted. The preliminary examination of the proposal has now been completed. All necessary entries have been made,

the underwriter has decided to accept and has fixed and quoted the rates; cover has been issued. As soon as the quotation has been accepted, the policy can be issued. Questions as to the form of the cover note, its conditions, operation and withdrawal, although they have their bearing on the subject of office organization, are best considered as matters of principle and law, and will not be discussed here.

It is useful to attach to each order a facing slip, on which can be inserted the initials of the clerk dealing with each process, as "Street Book," "Goad's Plan," "Branch Advised," "Cover Note," "Reinsurance," etc. In this way one can see at a glance if any operation has been omitted.

PREPARATION OF THE POLICY

The order papers, together with the plans and reports, if any are now handed to the policy-drafting clerks, in order that the policies may be written. Private house proposals may usually be passed direct to the typists and the policies may be typed direct from them. A separate series of policy numbers may be used for this class of business.

All other orders must first have the wording of the policies drafted, as the variations are so numerous that it is not possible for the policies to be prepared from the proposals themselves. Tariffs have to be consulted, plans and reports scrutinized, descriptions of buildings, machines, and processes set out, and clauses and warranties applied, the work calling for a wide knowledge of the technicalities of fire insurance. The drafts are sometimes made on separate sheets of paper, and filed with the orders. There was a time in some offices when these "drafting" or "policy" sheets, were eventually bound up and became the permanent record of the policies. Nowadays drafting sheets are not bound; as a permanent record they have been replaced by carbon copies of the actual policies.

If the fire department deals with "combined" and "comprehensive" policies, a similar procedure is followed, with the addition that the orders may have to be seen and passed by the accident department before the policies are written.

THE POLICY FILE

The copy or record of the policy must show the agency, the

amount retained, and the reinsurances (or, if preferred, a reference to a reinsurance book in which the details will be found), the classification number, inserted as a rule by the classification department after the policy has been issued and not by the policy drafting clerk, and room must be left for noting alterations by endorsement. It is also convenient to mark on the copy such particulars as "L.C.C.," indicating that the risk is situated in the London County Council area and must be included in the annual return to the Council of sums insured in that area, for the purpose of calculating the amount payable towards the expenses of the London Fire Brigade.

OUTSTANDING ORDERS

It is, unfortunately, the case that delay often occurs in the completion of proposals, the fire department perhaps suffering more in this respect than any other section of the business. The outstanding orders should be looked through at regular and frequent intervals, and letters should be written or calls be made in those cases where there is no obvious reason for delay. If cover notes have been issued for a limited period, they should not be allowed to expire without the attention of the proposer or agent being called to the fact. Most brokers now require all limitations of time to be struck out of cover notes.

When the company is not the leading office on a risk, it can do little to hasten completion of a proposal on it. Custom and convenience alike require that the matter shall be left in the hands of the leading company. Where the risk is under the company's own control, however, it is desirable to make all reasonable efforts to secure completion, more especially as deposits on account of premium are rarely asked in fire business. The loss of interest due to uncompleted proposals must amount every year to an appreciable sum.

REINSURANCES

Reference has already been made to the reinsurance instruction book. Every entry in it must show the date, and if the company's reinsurance treaties so require, the time of the entry, a serial number, name of insured, risk and situation, dates of commencement and expiry of risk, rate, sum insured, sum retained, and the amount placed with each company, order or policy number, cancelled policy

and cancelled guarantee numbers (if any). It will be seen that some of these particulars cannot always be given exactly in the first instance.

It is usual to enter in one item the total amount ceded to treaty offices, each of which takes its agreed proportion of this amount. If preliminary advices have to be sent to a treaty office, the particulars are copied from the instruction book on to "preliminary bordereaux" forms, the total cessions being shown, and the name of the reinsuring office and its proportion is then stamped upon it. Most treaties, however, provide that no details of cessions need be rendered, and in that case this item of work is, of course, not required.

Each item of facultative guarantee has to be completed by the issue of a "request note," to which the reinsuring company responds by sending a "take note," bearing, in modern practice, a stamp for sixpence, and constituting the contract between the two companies. The number of the take note is entered in the reinsurance instruction book. When the policy has been issued, a copy of it, or more often a very short abstract, is sent to the reinsuring company, and this shows the amount of consideration payable, date of renewal, and the "future annual consideration." The reinsuring company allots to it a reference number, which supersedes the take note number in the same way as the policy number supersedes the order number in direct business; it advises the ceding company of this number and the transaction is complete save for matters of account. Quarterly statements of sums due to reinsuring companies are made up by the direct writing company; these have to be confirmed by the reinsuring company, and payment is then made.

The completion of cessions to treaty offices is a simpler affair, although the actual bulk of work is usually much heavier. If no bordereaux have to be sent, all that has to be done is to work out the considerations due to the reinsurer and to make out an account showing the total amount due, less commissions and loss payments, to which latter further reference has been made. Should, however, the treaties provide for the issue of bordereaux, these must be prepared. They are of necessity rather large sheets, for they must give all the particulars of the cession, corrected by reference to the policies which have been issued, and in addition the first and future considerations and the returns in respect of cancelled cessions. Like the

preliminary cessions, these particulars are shown in total for the whole of the treaties, each company's name and proportion being stamped on its own bordereaux.

As regards renewals, there is a difference between facultative and treaty practice. In the former, lists of guarantees falling due are prepared by the reinsurers and are sent to the direct writing company to be marked up and returned ; in the latter, lists of cessions renewed are prepared by the ceding company and sent to the treaty offices.

The permanent record of reinsurances now frequently consists of a combined policy and renewal register, in the form of a loose-leaf book. The ruling makes provision for policy number, reference number, name, agency, sum retained, sum insured, sum reinsured, proportion, office, guarantee number, annual considerations, and several columns " renewed to," for extension year by year as the guarantee is continued. The book is posted in order of the direct policy number. This has proved to be a simple and satisfactory method of recording transactions, but it has the drawback that, when old policies are reinsured for the first time, they have to be interlined, and that when guarantees on policies are frequently altered some sheets have to be rewritten from time to time. It is, however, an improvement on the old method of keeping two or three separate books.

It may be well to add that reinsurance terminology is a little confusing. A company which issues a direct policy " cedes " to a treaty office ; it offers a risk facultatively (i.e. by special bargain), to another company, and if the offer is accepted " obtains a guarantee." The company which accepts is the " reinsurer " (as is a treaty office) and it " issues a guarantee." Often a direct company will talk of " reinsuring " its surplus when it means placing reinsurances or, more correctly still, " obtaining guarantees."

GUARANTEE ACCEPTANCES

When an offer of facultative reinsurance from another company is accepted, details of the risk have to be entered in street records and on Goad's plans, in exactly the same way as a direct order, and the succeeding operations and records correspond to those of the reinsurance section of the direct company. There is consequently no need to go through them in detail. Guarantee transactions

between tariff offices are governed by rules of the Fire Offices Committee, and methods of book-keeping must be so designed as to enable these rules to be carried out.

RENEWALS

Most fire policies were renewable at one of the recognized quarter days, viz. Lady Day, Midsummer, Michaelmas, and Christmas in England, and Candlemas, Whit-Sunday, Lammas and Martinmas in Scotland, where, too, the English quarters are also to some extent used. More recently, however, in order to relieve the pressure of work at quarter days, policies are made renewable as a rule twelve months after issue. There are issued, however, many "short-period" policies, especially in connexion with mercantile business, buildings in course of erection, furniture in depositories, and the like. The renewals system must provide for these different types of policies. In an office where renewal notices are written or typed, the notices in "short-period" cases are prepared from a "short-period renewal register" or cards, and are sent to the agents without receipts which, except in special cases, are not written until instructions to renew are received. The notices may give short particulars of the risk covered, in addition to the usual details as to policy number, name, premium, and date of renewal.

The renewal registers relating to annual policies for which a loose-leaf book is convenient, are posted from the policy books, sometimes under agencies, but more often in numerical order of policies. The details entered are policy number, name, agency, address to which notice is to be sent, if not to the agent, sum insured, annual premium, with columns for extension year by year to a remarks column, in which the final disposal of the policy "Lapsed" or "Cancelled by Policy No. —" is entered. It is also useful, and, where no elaborate classification system exists, essential, to have a column giving the number of the class to which the risk belongs.

The order book should be examined daily by the renewal department, and policies which are to be cancelled by new policies should at once be so marked in pencil in the renewal register. They should be finally ruled out in ink only when it is seen from the policy book that the new policy has actually been written.

Renewal lists and notices may be prepared on the typewriter, the

"notice" portion being a carbon copy of the "receipt" portion of the form. These are listed as agents' renewal lists. As alterations are bound to arise in practice, all renewal receipts prepared subsequent to the dispatching of the agents' renewal lists should be prepared from a counterfoil receipt book, as this minimizes the risk of omitting to debit an amended premium to an agent's account. Before renewal notices are issued, reference must be made to the "Revision Book," to see what cases are to be kept back for further consideration or are to be declined.

The larger offices have now adopted mechanization in the preparation of renewal notices and receipts, and agents' lists and accounts. All the necessary details may be recorded on punched cards which, on being run through machines, prepare all the documents involved in renewal work. Alternatively the punched card machines may be used only for listing and accounting, whilst Addressograph or Adrema machines may be used for the preparation of notices and receipts. It is important, when the machines are housed in a central office, that the branches should keep the mechanization office promptly informed of all changes that affect the punched cards. This is conveniently done by sending a carbon copy of every endorsement.

ENDORSEMENTS

All alterations by endorsement must be typed and a copy filed (exact copies of the wording being taken) and each endorsement must receive a serial number. Alterations seriously affecting either the amount of the policy, or the nature or situation of the risk, must at once be advised to the guarantee department, unless the whole of the amount at risk be retained For minor alterations it is sufficient for the department to work through the file periodically and advise reinsurers of changes on policies affecting them. To facilitate this work and to ensure that endorsements are carried through all the necessary books, it is useful to have spaces provided for each department concerned, to be ticked or initialed as the endorsements are marked up. There should be, at least, provision for additional premium, return premium, future annual premium, ledger folio, street book, policy register, guarantees, and renewal register.

CLAIMS

It is the practice of fire companies to entrust the settlement of large claims to outside assessors. Small claims are for the most part dealt with by the company itself. In either case, the first things to do are to see that the policy under which the claim is made is in force and that it covers the risk at which the fire occurred. An entry of the claim is made in a claim register, and it is allotted a serial number, under which the papers are eventually filed. This number is also marked on the copy of policy in the policy book. If any part of the risk is reinsured, the claim is also entered in a "Reinsurance Recovery Book," either at this early stage or later. If the loss is of any importance, immediate advice must be sent to reinsurers, but if it is small, no advice is sent until settlement, and in that case the item is carried into the quarterly account. On settlement of large losses, particulars are sent to reinsurers, who remit, on request, by special cheque. They have the right of seeing the whole of the loss papers. Where more offices than one are interested in a risk, the settlement is arranged by the leading office, whose assessor sends a copy of his report to each company interested, and in it he states that the report has been confirmed by the leading office for issue to co-insurers and shows the date arranged for simultaneous payment. Otherwise the report and the date of payment would have to be confirmed by the leading company in writing to each other office.

TARIFFS

In a tariff office an important section of work is that which deals with the tariffs and the various rules and regulations which govern the conduct of business. It is an obligation on the companies to see that all their officials comply with tariff rules. Advices must, therefore, be sent by head offices to branches, and must be circulated to inspectors and officials, of such changes as it is necessary for them to know, while the office copies of the tariffs and rules must be kept up to date. Similar conditions, of course, apply to ratings and decisions of the several salvage corps. This work is onerous and important, but from the point of view of organization little can be said about it, except that it is essential for the head office to keep a record of tariffs issued to branches, as it is not customary,

except with the very largest offices, to supply all the tariffs to branches.

CLASSIFICATION

Accurate underwriting depends on knowledge of past results, and although the experience of no one office is sufficient to enable a true opinion of a class of risk to be formed, that of all the offices combined may be taken as adequate. A uniform system of classification has now been introduced, though each office keeps its own, the number of classes into which it divides its business varying from, perhaps, 60 or 70 to several hundred. For a small company a "key" system is possibly sufficient, by which risks are given a classification number and entered in a "Classification Book" under this number, and nothing further is done until a demand is made for the statistics of a particular class. It is then a matter of no great difficulty to make a list of the policies of that class and to turn up the premiums and losses for the period of years required. From this minimum are to be found many systems of varying degrees of elaboration, until that of the great company is reached, involving a complete set of premium and loss books for classification purposes and subdividing important classes of risk, such as cotton mills, into numerous sub-sections.

CHAPTER XVII

THE ACCIDENT DEPARTMENT

THE accident department, comprising as it does so many different sections each dealing with classes of business which have their own peculiarities of practice, presents a special difficulty from the point of view of organization, and there must necessarily be some divergence of procedure between the various sections. It is, however, possible, and indeed essential, so to organize the departments that in the main the procedure is the same throughout, and that the divergencies in any one section affect only that particular work and do not interfere with the smooth running of the department as a whole.

HEAD OFFICE AND BRANCHES

The volume of a company's accident business will influence the allocation of duties as between the head office and branches. Where the volume is considerable, the branches will probably have sufficient experienced accident men to justify a large measure of autonomy in accepting risks and paying claims. Policies will be be prepared and records compiled and retained at the branches; only summarized returns and matters of special interest will be submitted to head office. In many of the larger companies, however, the introduction of mechanization has resulted in the transference of some of the routine work, as for example the preparation of renewal notices, agents' accounts and statistics, to a central records office. So that this system may function satisfactorily information must be sent to the records office of every transaction affecting accounts or statistics and this is usually done by means of carbon copies or "flimsies" of the relevant documents.

In the smaller offices the routine work may still be performed manually and a larger measure of control exercised from head office, where such tasks as policy preparation, the writing of renewal notices and the compilation of records may still be done.

When all is said, it must be admitted that there is no "best" system, but that an office must choose a system which will best meet the requirements of its business in the accident field as a

whole, or adapt a system which has variations in its application as regards the different branches of the business.

A DEPARTMENT, OR NUMEROUS SECTIONS?

As the accident department consists of so many different units, the first question that arises is whether it shall be treated as a whole or whether it shall be regarded as a mere collection of small self-contained sections. Though, perhaps, the question is only of practical importance at head offices or very large branches, for from the very nature of things it would be impossible to maintain a separate organization for each section at a relatively small branch, it is of fundamental importance. On the answer to this question depends whether there shall be one policy section for the whole of the department, or whether so many policy typists shall be allotted to each section; or, again, whether the renewals shall all be done together or shall be the responsibility of each section. The same point arises in respect of reinsurances, and even in regard to correspondence typists. It is a very similar problem to that of centralization versus decentralization.

Probably it will be found that in the majority of cases the organization of the accident department is a blend of both these methods. Such matters as the writing and checking of renewal notices and receipts, reinsurances, accounts, and correspondence are done together for the whole of the department, whereas the underwriting and the policy writing is sectionalized.

There is, however, a fairly general practice to group all the claims together, though they deal with many different classes of risk. The reasons for this are manifold, but primarily the reason is that claims entail a lot of outside work and necessitate a staff skilled in negotiating these matters and possessed of some knowledge of law, physiology, and other subjects. The possession of these qualifications enables a man to deal with claims from any section, and it is a great convenience from an organization point of view to have the claims men whose duties take them outside the office confined to one control, and the paying out of money for claims also localized in one section.

We shall probably find that experience has proved that a combination of the two systems gives the better result and that,

whereas those matters we have mentioned are grouped together for all sections, there is a separate underwriter for each class of business, or, if the volume of business is not sufficient to warrant this, then two or more classes are grouped together in charge of one man.

For example, with fidelity guarantee would be grouped contingency insurance and contract insurance, with which they may be said to have something in common.

With employers' liability would be grouped third party insurance, and with burglary all risks of cash in transit, and perhaps plate glass. With motor might be grouped the other transit insurances, such as cyclist's, driver's third party. The grouping is more often than not a matter of convenience and not of scientific classification, but it serves to give the staff a wider experience and is necessary, except in very large offices.

Whatever the grouping, however, there will be some basic system of dealing with all proposals so that the policies may be issued, recorded in the company's books, and the premiums collected.

PROPOSALS

All accident policies are based upon a proposal which must be made upon proposal forms supplied by the office. In many classes of business it is possible to underwrite the business upon the proposal form alone, but with others there is much else to be done.

In every case, however, the form has to be carefully scrutinized, and, if necessary, indexes and black lists have to be searched. A cover note may have to be issued.

In the case of burglary (business premises) proposals, property owner's indemnity, and third party proposals, surveys are often desirable. In the case of employers' liability, fidelity guarantee, or motor proposals the case may have to be submitted for special rating. And in the case of fidelity guarantee proposals elaborate inquiries have to be made.

When these preliminaries have been attended to, the correspondence and proposal papers will probably be attached to a backing sheet or folder, being afterwards placed in a suitable receptacle along with other "outstanding proposals," in order of name of proposer.

PROPOSAL REGISTER

In many offices entry would be made in " order book " or " proposal register," but the use of such book appears to have lost favour in recent years.

ADVICE OF ACCEPTANCE

In due course formal acceptance of the insurance will be intimated to the proposer through the branch, agent, or " direct " in the case of business secured without the aid of an agent, where such business arises in the territory controlled by the head office. In many cases the acceptance will be intimated by issue of the policy. As completed proposal forms are sometimes received direct from proposers, care must be exercised in seeing that the branch or agent is advised in such cases.

VERIFICATION OF AGENCY

Before the policy can be prepared reference will have to be made to agency records to verify details of agency—agency terms, i.e. "cash" or "credit," and rate of commission applicable in the case of business subject to "restricted" commission.

PAYMENT OF PREMIUM

In the case of " direct " proposals, and of proposals obtained through a "cash" agency, the preparation of the policy is occasionally held up until the receipt of the first premium.

POLICY SECTION

In other cases the proposal papers would be handed to the policy department with instructions (where necessary) for the preparation of the policy.

Wherever possible, the policy should be in schedule form, and so arranged that the whole of the particulars will appear in a space specially provided. Carbon copies of the particulars will be taken on loose sheets, arranged as regards binding on the loose-leaf book principle, i.e. holes being punched at the left-hand side of the sheets in order that they may be filed in loose-leaf record binders, of which a number of patterns are on the market.

Two carbon copies of the details will be prepared, one for the branch policy register and the other to be used for accounting and

renewal purposes. A further carbon copy may be taken for head office underwriting department. The carbon copies will of necessity be prepared on thin paper, in order that clear impressions may be obtained.

The details will agree with those shown in the " schedule " to the policy form, but in addition provision for the following information will be necessary—

1. Classification (for statistical purposes).
2. Reinsurances (if any).
3. Provision for the recording of additional premiums and return premiums, and possibly claims.

In an office where renewals and accounting are dealt with at a central records office, punched cards will be prepared from the copies of policies but in other offices the papers will be handed to the entering clerk, who will enter each policy in a policy register in numerical order. The amount of the first premium will be entered in a space provided for the purpose in the register. Certain companies, which arrange for all policies to be typed at head office, prefer to allot blocks of policy numbers for each section of accident business, irrespective of the branch office concerned, but it is thought that separate blocks of policy numbers for each of the offices' branches is a better plan, as the branch policy register may thus be used by the accountant as the medium of debiting to the agent's accounts, and so dispensing with the use of debit journals in the case of new policies.

As a number of special policy forms are necessary, the sectional prefix letters should be printed on the policy forms with a space provided alongside for the insertion of the policy number, e.g. E.L. 5090 signifying employers' liability policy, No. 5090.

The instructions printed on the policy form would probably include a request to policyholders to refer to index letters and policy number when addressing communications to the office.

A record will be necessary of all policies falling due at a given date, and therefore a note will be taken of all policy numbers falling due at each date throughout the year, the prefix letters and policy number being shown at each separate date opening of the record book, a space being provided for the insertion of the number of the renewal list upon which the premium debit to agent appears.

RENEWALS

As in the fire department, the renewal receipts and renewal notices may be prepared on the typewriter and listed on agents' renewal lists. In the larger offices, however, full use is now made of punched card machines and the Addressograph and Adrema both in the preparation of notices and receipts and in the compilation of agents' lists.

REINSURANCES

It is frequently necessary to obtain reinsurance protection, and in the past offices generally arranged a large proportion of their accident reinsurances on a facultative basis (i.e. by separate arrangement for each individual case).

In facultative cases particulars of the risks are submitted to other companies, and upon acceptance "take-notes" are issued by the reinsurers. Separate journals are kept in order that the sums due to reinsurers may be recorded; in addition, sections of the reinsurance journals (or separate books if the business be large enough) must be provided to record additional premiums, return premiums, and cancellations.

Where the business reinsured is of a permanent character, e.g. personal accident and burglary risks, a reinsurance renewal register is used. A separate folio is allotted to each reinsurer in which the following details are recorded—

Policy number.	Proportion.
Guarantee number.	Classification.
Insured's name.	Branch analysis.
Sum reinsured.	Renewal premium.

Cash columns are provided in order that the items which are renewed may be extended from year to year. By recording separately the guarantees of each company, the completion of the guarantee renewal lists (which are issued by the reinsurers) is greatly facilitated.

The system of effecting reinsurance on a facultative basis is, however, gradually falling into disuse, and most companies have now treaties for taking care of their surplus lines. The procedure is *mutatis mutandis* the same as in the case of fire insurance.

It has sometimes been found convenient to deal with business

involving a calamity hazard by means of a pool. The workmen's compensation risk for coal mines was handled in this way.

In other classes of business where there are numerous small claims as well as the constant possibility of a big loss, such as for instance a third party risk, it is often found that the most suitable and economical method is a reinsurance on an excess basis. It is the calamity risk that must be safeguarded against. A reinsurance on a *pro rata* basis would entail a good deal of unnecessary work in recovering the proportion of the small claims which fortunately form the majority of the claims that arise under these policies.

Separate records are kept of all such business and the reinsurers are advised by bordereaux, or, as frequently happens, the total of the premiums due are advised, without details of the risks being submitted.

SIZE AND COLOUR OF FORMS

It is a distinct advantage if all proposals and policy forms are of a uniform size, and it is equally helpful if the proposal forms for the different classes of business are printed on different coloured paper, or at least in different coloured ink. Though it is customary to print all policies on white paper, very often different coloured inks are used for the various classes of business.

SEASONAL BUSINESS

Some of the business transacted in the accident department is seasonal in character. For instance, a good deal more motor business is written in the spring than at other periods of the year. It is therefore necessary for arrangements to be made for one section to help another in times of pressure.

CLAIMS

The question as to whether each section should deal with its own claims, or whether the claims of the whole department should be dealt with by one and the same staff, has already been touched upon. It depends to a large extent upon the extent of the business, but, broadly speaking, unless the sections are very big it is generally considered that the claims may be grouped together as a distinct section.

The essential points of claim practice are very similar in all sections. On a claim being notified it is at once entered in a claims register and a number allocated. Then a facing sheet or envelope is prepared. This sheet or envelope should provide all the necessary information as to the risks and benefits covered, with spaces for the sheet to be marked as the claim goes through the various stages of entry, investigation, negotiation, settlement, and, finally, classification. Claims from the various sections, from their nature, demand different treatment, and the subject more properly belongs to another part of the syllabus.

POLICYHOLDERS' INDEX

It is very necessary to have an alphabetical index of policyholders, as policy numbers are frequently misquoted (or not quoted) when communications are sent to an insurance company. Various systems are employed, but from experience it has been found that card records containing the policy numbers and name and address of each insured have much to recommend them.

DECLINED PROPOSALS

It is as necessary to keep an index of declined proposals as it is to index the names of policyholders. Sometimes a proposal is received from a person who has previously been declined, and it is necessary to refer to the previous papers and as the answer in the proposal form does not always disclose previous applications it is often desirable to check this, especially in the case of fidelity guarantee business. Inquiries are often received from other companies who have received a proposal from a man who has been declined by you, and it is customary to exchange information.

The use of the term "Black List" is to be deprecated. Many proposals are declined because they do not appear to be acceptable as an underwriting proposition without there being anything against the standing or character of the proposer.

In motor insurance where insurance is compulsory the power of declinature is used very sparingly. The offices are prepared to give practically everyone at least the statutory cover on some terms or other. To decline to do this would mean that the companies were appropriating to themselves the powers of a licensing authority.

CHAPTER XVIII

THE MARINE DEPARTMENT

THERE are many reasons why the practice of marine insurance differs so considerably from that of other branches. Being mainly concerned with the movement of property over the oceans of the world, it is not restricted to risks located or underwritten in one country but is a part of the international transactions of commerce. The great variety of risks, the numerous types of vessels and the many channels through which the business is received create special problems which may not arise in other branches of insurance. An example of the many difficulties encountered in marine insurance is the control of the total commitments on any one vessel or in any one location. That liabilities must be kept within prudent limits is a fundamental principle of all classes of insurance, but in marine insurance this requires particular care and organization because of possible cumulative commitments accepted through different sources. Whilst each company has its own solution to this problem they all adopt more or less a similar procedure in recording risks, computing liabilities, and in office routine generally. This routine and the various sections into which the marine department is generally divided will be described but it must be understood, of course, that the allocation of work over sections (designated "departments" by purely marine companies) may vary in different offices.

UNDERWRITING ROOM

Marine insurance tenaciously clings to custom as is illustrated by the antiquated wording of the marine policy form and by some of the terms used daily in the course of marine business. The word "underwriter" for instance originated from the earliest usages of marine insurance when insurers were individual persons signing and issuing their own policies. As explained in a previous chapter, the modern meaning of the word "underwriter" embraces managers of marine companies and the marine department managers of composite companies. It is the responsibility of such underwriters

to carry out the underwriting policy of the company, Theoretically, they underwrite each marine policy issued by their company but in practice this is not possible. Power to issue and sign policies is given to other executive persons, branch officials, and underwriting agents. Wherever, or by whom, a policy may be issued details of the insurance are ultimately shown to the underwriter or his immediate assistants in the underwriting room so that a check may be made that the terms and conditions are in accordance with the company's underwriting policy.

Whilst a considerable amount of business is dealt with by correspondence the usual procedure in the case of local business is for the broker or client to submit the risk personally. The underwriting room, therefore, should have easy access for the public and be located preferably on the ground floor.

In marine insurance no proposal form is necessary. In fact it would be quite impracticable to compile a form of questionnaire applicable to each of the multifarious types of risks that are offered. The fundamental principle governing all marine insurance transactions is *uberrima fides* and the Marine Insurance Act, 1906, provides that any misrepresentation or concealment of a material fact which would influence an underwriter in fixing the premium or determining whether he will accept the risk enables the contract to be avoided. A proposer must therefore give full information when submitting a risk and must answer to the best of his ability any questions relevant thereto. When the terms and conditions of the contract are agreed the underwriter initials what is called a "slip" which is merely a memorandum containing the main details of the insurance. The slip is retained in the office; it contains all the essential details and is the main source of information for much of the office routine. It is used by the policy section for preparation of the policy and then by the index, reinsurance and account sections for their various requirements before being finally filed away. To prevent loss each day's slips should be fastened together and for easy reference each month's slips may be bound in suitable book form.

Business written by branches or underwriting agents is generally reported on bordereaux. Separate advices for each risk would be too cumbersome a procedure. These premium bordereaux fulfil the

same functions and pass through the same routine as head office slips except that they are not generally required for the preparation of policies. The usual procedure and certainly the more desirable from the point of view of the client, is for policies to be issued by the branch or agent concerned. Where a company has a large number of branches and underwriting agents, a special agency section may be organized as an adjunct of the underwriting room. The duties of such a section would be to deal with the correspondence, keep necessary records, and, under the guidance of the underwriter, generally control the branches or agencies appointed.

POLICY SECTION

As already mentioned, policies are prepared from the daily slips. Being an essential document in overseas trade the policy on occasions is required urgently for banking purposes and every effort should be made to satisfy such demands. There should be as little delay as possible between the initialing of a slip by an underwriter and the issue of the policy by the policy section. The two sections should work in close co-operation and the policy section must be adequately staffed to meet all possible requirements.

Before the policy can be prepared the premium and stamp duty has to be calculated and entered on the slip. This information is necessary for drafting the policy, issuing the premium debit note and for accountancy purposes. All marine insurance policies require stamping by the Inland Revenue but a stock of blank forms already stamped will save delay in taking each policy to the Stamp Office. The stamps should be for various amounts most likely to be required; it would not be economical to keep a stock of policies stamped for high values which are required only occasionally.

As a wartime expedient, a combined marine policy form was introduced in both the London and Liverpool markets. Hull insurances and high valued cargo contracts are generally shared by a number of companies and to save the issue of separate policies there are arrangements whereby one policy is issued on behalf of all the companies on risk. Whilst these arrangements result in a saving of labour, there still remains a vast number of policies for direct clients to be issued by individual companies, and efficient organization of

its policy section is essential if a company wishes to give efficient service in meeting the needs of its clients.

When a client places an insurance but is unaware of the final details of his shipment the slip is marked "provisional" and a provisional cover note is issued to the insured. Whilst neither a slip nor a cover note may be sued upon, an underwriter scrupulously carries out his obligations thereunder as failure to do so would jeopardize his good name and that of his company. From the policy section the provisional slip is passed to the index section before being returned to the underwriting room where it is kept until closing instructions are received.

Floating or "open" policies are sometimes required. They are policies issued for a substantial amount against which declarations are made as shipments go forward. The amount insured is reduced with each declaration and when finally exhausted a new policy is issued. An initial premium is payable at inception which is adjusted by additional or return premiums when the policy is fully declared. It is a matter of choice whether declarations under a floating policy should be recorded in the policy section or by a separate section specially appointed for this work. The usual procedure is to retain the floating policy in the office for recording the declarations on the back. Each declaration must be acknowledged and it is desirable that the acknowledgments should indicate the amount remaining open. When completed the policy is sent to the insured.

OPEN COVERS

An alternative method of cargo insurance especially suitable for merchants whose business involves considerable amounts is by means of an open cover. This document cannot be sued upon. It is a promise by an underwriter that he will issue policies as may be required in accordance with the terms and conditions laid down therein. The cover may be for a specified amount when it is commonly described as an "open slip" or as is more general it may be issued for a period of time not exceeding twelve months. In either case the premium is paid as declarations are made and not at the inception of the contract. A copy of each open cover is generally retained in the underwriting room so that declarations may be

checked and the necessary daily "slip" issued for each relevant policy. The open cover is prepared by the policy department.

INDEX SECTION

Cargo risks insured by a company should be recorded under the name of the vessel concerned in such a manner that the total liability on each voyage can be ascertained. The recording of risks may be done in bound or loose-leaf books alphabetically divided or on a card system. There are arguments in favour of all three methods and only experience will prove which best suits the requirements of the office. There is one golden rule however: such records must not be taken away from the index section. This rule is particularly important where a card system is used. It is usual to allocate a page or a card for each vessel and to record thereon the following details of the risks attaching to the vessel, each voyage being kept separate.

Risk number (provisional and closing).
Name of assured, branch or agency.
Subject matter insured.
Conditions, rate and premium.
Amount insured.

The ruling of the page or card should provide for such further details as voyage, sailing date, retained line, reinsurance, claims, salvages and returns. The retained line is the maximum amount the underwriter considers prudent to retain for the particular vessel and voyage concerned.

When the total amount insured on any one voyage exceeds the retained line, the reinsurance section is advised so that they may deal with the necessary reinsurance. It will depend, of course, upon the reinsurance arrangements whether hull risks are to be included before arriving at the amount to be reinsured.

Hull time risks are recorded in special books suitably ruled for this purpose. Vessels may be recorded in alphabetical order but a more convenient method for statistical purposes is to record together the vessels belonging to each fleet. By this means the premiums and losses attaching to each ownership are obtained more easily.

Vessels under construction and repair are also insured in the marine department. In this class of insurance not only must the

underwriter consider the amount he is prepared to accept on each individual risk, but he must also bear in mind his total commitments in any one building yard. A serious fire may involve more than one vessel. Consequently all building and repair risks are recorded in a special book so that the total liability in any one yard can be easily computed.

REINSURANCE SECTION

In view of the fact that an underwriter seldom knows his total commitments on a vessel before sailing, it is imperative there should be some form of automatic reinsurance protection. An excess of loss cover would satisfy requirements but the more usual procedure is to arrange a reinsurance treaty on an excess of line basis whereby the excess of fixed retentions, varying with trades or categories of vessels, is reinsured. These treaties are renewed annually, the underwriter deciding the maximum amount he is prepared to keep on the various categories. A first class liner for example would be in a higher category than a tramp and would be allowed a higher retention.

It has been mentioned that the reinsurance section is informed whenever acceptances exceed the retained line. The amount of the excess and the reinsurance premium applying thereto have then to be calculated and the necessary advices sent to the reinsurers. Whenever an excess of a material amount is anticipated it is important that a provisional advice should be sent so that the reinsurers may have the opportunity of arranging their own reinsurance if necessary. These provisional advices show only the name of the steamer, the voyage and the amount of the anticipated excess. The reinsurance premium is generally based on the average of the original net rates received and cannot be calculated finally until all the original insurances are closed.

Facultative reinsurances on cargo are sometimes placed on specific risks. The purpose may be to reduce lines on sub-standard business accepted from good connexions or it may be to reduce unduly large lines that might be embarrassing to the treaty reinsurers. Such reinsurances are arranged generally by the staff in the underwriting room but the routine involved is done by the reinsurance section. This routine consists of sending closing advices to the reinsurers,

checking the reinsurance policy and debit note, making the necessary entries in the reinsurance journal and recording the reinsurance in the index books or on the index cards. All reinsurances must be shown on the records of the index section, otherwise recovery of claims and returns of premium may be overlooked. As a precautionary measure the reinsurance entries on the index records should be in red ink.

It is usual for hull or building risk reinsurances to be placed facultatively. Normally an underwriter is offered time risks long before attachment dates and he has ample time to reduce his acceptances by facultative reinsurance should he so desire.

CLAIMS SECTION

The main function of the claims section is the adjusment and settlement of claims. Whilst this generally entails considerable correspondence it may be necessary for a local broker or client to call upon the section and this factor should be taken into consideration when choosing the location of the section in the office. The head of the section is frequently given the title "Adjuster of Claims" and in some companies the position is held by the secretary of the company.

Where claims involve other underwriters or other interests as in the case of hull claims and general average it is both necessary and desirable that the adjustments should be handled by independent average adjusters. The adjustment of marine claims requires considerable technical ability and knowledge, and average adjusters have formed a professional organization known as the Association of Average Adjusters. This association has drawn up rules of practice and renders invaluable technical service and advice to the marine insurance business. It is open to the insured to employ an average adjuster whenever he may wish but the adjustment fee is generally only admitted as a claims expense when the sanction of the underwriter to employ an average adjuster has been obtained. Such sanction would not be given in the case of straightforward claims involving no other underwriters and which could be easily adjusted by the claims section of the company. It is desirable however for the company to employ an average adjuster where the adjustment may give rise to a dispute. An adjustment or an opinion by an independent party often helps to satisfy claimants who would be

dissatisfied if the company alone declined liability for part or whole of the amount claimed.

Claims should be settled as quickly as possible after receipt of all the necessary documents and information. Whilst the adjustment is in the hands of an average adjuster the company has little power to expedite matters but as soon as the claim is agreed by the claims section there should be no delay in sending the necessary remittance. This necessitates collaboration with the cash department. When entering claims in the claims book it is important to keep in mind the special requirements of marine insurance accountancy. All payments under marine policies are posted to the ledgers according to their correct underwriting years and it is therefore desirable that the claims book should be suitably ruled in columns to provide for first, second, third and prior year items. The headings of the remaining columns in the claims book are: Policy Number, Assured, Vessel, Voyage, Nature of Claim.

Cargo claims are frequently paid under insurance policies where the liability, either in whole or in part, falls upon the shipowner or some other third party. In such cases every effort should be made to obtain recovery from the party responsible. Apart from reducing the company's claims, appropriate action against the responsible person generally results to the benefit of all concerned in greater care being taken in the handling of goods. Refunds of general average claims and general average deposits are also obtained. Application for such recoveries has to be made to the average adjuster when the general average statement is completed and to prevent a recovery being overlooked a special memorandum book should be kept. Recoveries from third-parties and salvages are recorded in the salvages book which is ruled similarly to the claims book.

On frequent occasions claims on marine policies are required to be made payable at destination. The marine policy is a quasi-negotiable document which may pass from seller to buyer in which case the claimant would not be the original insured. To meet the demand for claims to be paid at places other than where the policy is issued a company requires a world wide claims settling organization. In most parts of the world there are Lloyd's agents whose duties include the survey and settlement of losses on policies issued by Lloyd's underwriters. Companies, if they desire, may avail

themselves of the services offered by Lloyd's agents, but it is more usual for a company to appoint its own claims settling agents. The remuneration paid to agents for the settlement of claims is generally based on the scale adopted by Lloyd's. The terms of remuneration are laid down in the agent's letter of appointment together with instuctions regarding the manner of payment and procedure generally. The settling fee does not include the survey expenses. It is customary for a company's agent to appoint an independent surveyor whose fee is treated as a claims expense. Every claim paid abroad is reported to the claims section at head office who in turn reports the claim to the branch or agency issuing the policy. This information is desirable for both underwriting and statistical purposes.

The claims section usually deals also with returns of premium. These are recorded in the same way as the claims, but in a special "Returns Book."

Where the claim or return of premium is in respect of a risk insured under a combined policy form, it is the responsibility of the leading company to see that the adjustment is in order.

REINSURANCE RECOVERIES SECTION

Delay in recovering claims or return of premiums from reinsurers may mean a considerable loss of interest to the company. It is important therefore, that all payments under policies should be advised immediately to the reinsurance recoveries section so that they may investigate whether any reinsurance applies thereto and, if so, obtain the appropriate recovery. The reinsurance recoveries section enters both claims and returns of premium against the original risks recorded by the index section. It is during this operation that any reinsurances against the original risks are noted. The proportion of the loss applying to the reinsurance is subsequently calculated and the necessary debit note issued to the reinsurers. The items are entered into a reinsurance recoveries book, for accountancy purposes.

ACCOUNTS SECTION

Owing to the inevitable delay in the presentation of marine claims, particularly hull claims and involved general average cases, both

hull and cargo, it is impossible to assess with any degree of accuracy the result of a marine account at the end of a particular year. The best method of obtaining a true picture of the underwriting results is to keep the accountancy books on what is called a strict underwriting basis. Under this system an underwriting account is opened each year into which all premiums received during that year are entered and the account remains open until all claims, salvages, return premiums, etc. applying to that year have been paid. Many years must elapse before such an account can be closed, but it is not practical to keep accounts open indefinitely.

Broadly speaking there are two methods of presenting marine accounts which may be adopted by companies. Under each of these methods it is necessary to provide a reserve to meet losses and other payments which will have to be made after the account is closed. In the case of accounts on a "Revenue" system the balance is computed at the end of each year after bringing into the account a premium reserve to cover unexpired risks, an amount to cover outstanding claims and sometimes an additional reserve. The other method of presenting marine accounts is on a two or three year "Underwriting" system whereby the account is closed at the end of the second or third year by transferring to a "Suspense" account an amount sufficient to cover future payments. The correctness of either system therefore depends upon the accuracy of these estimated reserves. The greater the delay in closing the account, the more accurate will be the estimate of the future payments applying thereto, and for this and other reasons the "Revenue" system of accounting is not looked upon as being suitable by marine underwriters.

The amount to be placed to reserve for future payments is obtained from a record of outstanding claims kept by the claims section. A claim becomes outstanding as soon as a casualty to a vessel in which the company is interested is reported. The secretary or some other senior official estimates the amount of the claim and this estimate remains outstanding until the claim is paid or further information is received which justifies an amendment.

Apart from book-keeping and accountancy, the accounts section is responsible for all Government and taxation returns. The Assurance Companies Act, 1946, requires an annual return to be

made to the Board of Trade combining marine and aviation business. Whilst the form of this return is based on a revenue account there are separate columns for current year, last year and prior year items. Consequently, a company which presents its published accounts on either an underwriting or a revenue basis must keep its books in such a manner that the items can be divided into the necessary years as required by the Board of Trade return.

The accounts section is also responsible for the preparation of any profit commission statements. Underwriting agents, and underwriters sometimes, are allowed a commission on the profits earned. There are various ways for assessing profits but it is usual for the profit commission statements to be presented in the same manner as the accounts of the company i.e. on a revenue or underwriting basis.

STATISTICS SECTION

Except in a few isolated instances tariffs do not apply to marine insurance. An underwriter assesses a risk on his own judgment and experience and to enable him to conduct his day to day business it is essential for statistical books to be at his immediate disposal. Some companies organize a special section for the extraction of figures but it may be more convenient for various sections to produce their own statistics. Results of reinsurance treaties for example might with advantage be produced by the reinsurance section whilst company and agency results should be obtained automatically from the accounts section. The statistical requirements of the marine department are extremely varied, but broadly speaking they may be divided into four main classes—

(*a*) Company results.
(*b*) Individual results (Branch, Agency, Clients, Brokers, Treaties, etc.).
(*c*) Cargo risks (commodity records).
(*d*) Hull risks (experience of fleets and individual vessels).

(*a*) *Company results.* Apart from annual results the management of a company generally requires the progress of the business to be reported periodically. The necessary information, of course, is obtainable from the accounts section and the figures would be presented either on a revenue or underwriting basis according to

the accountancy system of the company. Comparable figures of previous years may also be required together with much more detail than is shown on the published accounts. Not only could the general trend of the company's business be indicated but also the development of the various geographical zones in which the company operates and detailed information regarding claims and outstandings.

(*b*) *Individual results.* For easy reference the results of individual accounts should be recorded alphabetically in separate books for branches, agencies, clients, brokers, treaties, etc. To avoid any delay when bringing the figures up to date the books could be in duplicate so that a complete set will be always available for immediate reference in the underwriting room. The purpose of these records is to enable the underwriter to see the position of any particular account. The annual results of each account may satisfy requirements but, in the case of individual clients and brokers, figures on a monthly basis would be preferable. Any known outstanding claims should always be indicated so as to have as complete a picture as possible. A note should also be given of any major casualty included in the figures. When the underwriter knows that the poor results are due to an isolated disaster it may influence him in deciding whether to continue writing the business. The figures may be presented on an underwriting or revenue basis. Whilst the former basis gives a more accurate picture, the figures are more difficult to record. It is not practical to keep a suspense account for individual results and the only alternative when showing such results on an underwriting basis is to enter all prior year items into the second or third year account.

An underwriting account cannot be closed until after two, three, or more years, whilst on a revenue basis each year is complete and its balance is not subject to adjustment.

(*c*) *Cargo risks.* There is an infinite variety of commodities, trades and conditions and it is essential that an underwriter when offered a risk should know how similar business has run in the past. To obtain this information most companies adopt the method introduced by Lloyd's and enter all cargo risks into a voyage book. In this book the risks are classified into geographical divisions such as U.K. coasting, North Sea Out, North Sea Home, Mediterranean Out, Mediterranean Home, etc. If considered desirable sections may also be

allocated for special trades or commodities. Complete details of each risk including return premiums, claims and salvages are recorded so that the experience of any type of business may be obtained. The data is obtained from the daily slips and from the books of the claims section. Business received from branches and agencies, however, may be too vast to record in this manner. Some companies rely on the statistics supplied to them by their agents whilst others extract from the agents' returns the results of open policies and open covers and compile statistics on a commodity basis. Each branch, of course, should have its own voyage book and advise their statistics periodically to head office.

(*d*) *Hull risks.* Results of fleets and individual vessels are required by an underwriter before the renewal of such insurances is offered, which may be as long as three months before expiry date. It is a wise procedure, therefore, to keep a record of all renewal dates and thereby ensure that the statistics are brought up to date before the time they are wanted. Where the vessels of an ownership are recorded together by the index section the statistics will be easy to obtain. In the time books will be shown the premiums, returns, claims and salvages and the addition of these items under each ownership can be transferred annually into a loose-leaf book of ownership results.

CHAPTER XIX

MISCELLANEOUS—ASSIGNMENT; LOSS ASSESSORS; STATISTICS

IN this section are dealt with a number of topics which do not naturally come within the scope of previous chapters.

ASSIGNMENT

The law and practice of assignment varies according to the branch of insurance concerned and it is therefore better, even at the risk of some repetition, to deal with each department separately.

Accident. There are three kinds of assignment which must be considered—

1. Assignment of the subject-matter of the insurance.
2. Assignment of the policy.
3. Assignment of the proceeds of the policy.

The subject-matter of most accident policies is assignable. When the property insured is transferred, the risk which is insured against passes with it to the assignee, but the right to indemnity under the policy may or may not be similarly transferred. Where the assignment is by operation of law as on the death or bankruptcy of the insured, the insurable interest of the insured is transferred to his personal representative or trustee in bankruptcy, together with the rights under the policy. The transfer of interest condition usually provides expressly for this, although the position is the same even though there is no such provision.

Where the assignment is by voluntary act of the insured, as in the case of a sale or mortgage, the validity of the policy to the insured depends upon whether, after assignment, he retains his insurable interest in the subject-matter.

An absolute assignment by way of sale or gift passes the whole of his interest and therefore, so far as he is concerned, the policy ceases to be in force. If, however, the assignment is by way of charge or mortgage which does not pass the whole of his interest, the policy remains in force in the original name until foreclosure.

Such assignments of property would not convey any rights in the policy to the assignee.

An assignment of a policy of insurance is an assignment of the contract contained in the policy with all its rights and liabilities to the assignee, and its effect is to substitute a new insured for all interests and purposes. It must be distinguished from an assignment of the right of the insured to receive the sum payable under the policy, which is frequently termed an assignment of the policy.

To constitute a valid assignment of the policy the assignment must be accompanied by an assignment of the subject-matter either at the same time or by a contemporaneous agreement. A transfer of the policy to a person to whom the subject-matter was not transferred would be a transfer to a person without insurable interest and the policy would therefore become void, as the original insured retains and the assignee does not acquire the insurable interest until the actual transfer of the subject-matter. If not assigned till after the assignment of the subject-matter the policy has already become void, while if assigned before the assignment of the subject-matter it becomes void on coming into the hands of someone who as yet has no insurable interest. In contrast with marine insurance the policy does not run with the subject-matter so as to pass with it on assignment; it must be separately assigned.

The consent of the company to an assignment is required, the policies not being transferable without consent. This matter is usually dealt with in the conditions.

The assignment of the policy places the assignee in the position of the original insured. He becomes entitled to enforce the policy in his own name. He is equally bound by the conditions. The original insured drops out and no act or omission of his after assignment affects the validity of the policy. The assignee, however, takes the policy subject to equities, since the assignment is the assignment of an existing contract and must, therefore, bear the consequences of any act or omission of the original insured before the assignment. If during the original negotiations the original insured was guilty of fraud or concealment the policy, being void *ab initio*, may be repudiated by the company notwithstanding assignment to an innocent assignee.

An assignment of the proceeds of a policy not being an assignment of the contract of insurance requires no insurable interest to support it. It does not substitute a new insured but merely a new creditor, who succeeds to the insured's right in respect of the sum payable under the policy.

A claim which has already arisen under the policy is an ordinary chose in action and may be assigned like any other chose in action. The assignment is subject to equities and any act or omission of the insured which would have precluded him from enforcing the claim equally precludes the assignee, unless the policy otherwise provides.

The consent of the company is unnecessary unless there is an express condition to the contrary; the ordinary condition against assignment is not sufficient.

The insured may, before any claim has arisen, assign the right to receive any sums which may become payable under the policy. Such an assignment is equally subject to equities, and as the contract of insurance out of which the right arises continues to exist between the original parties, the assignee is liable to be defeated not only by acts and omissions before the assignment but also by those occurring afterwards.

There is no specific statutory provision as in the case of life and marine policies as to the mode in which the beneficial interest in accident policies may be assigned. The Policies of Assurance Act, 1867, it is submitted, does not apply to personal accident policies. The Act applies only to companies carrying on life business, so that a company so far as its accident business is concerned is not within its scope. Moreover, a personal accident policy is not an instrument by which payment "on the happening of any contingency depending on the duration of human life is assured" (Sect. 7).

Assignments of the proceeds of policies are governed by the rules applying to the assignment of choses in action generally, and may therefore be made in accordance with the Law of Property Act, 1925. If, however, these provisions are not complied with, an assignment in any form as long as the intention is clear appears to be valid as an equitable assignment.

Fire. The foregoing remarks in regard to accident policies apply

mutatis mutandis to fire policies and apart from this aspect little need be said in regard to the assignment of fire policies.

The policy usually contains a condition that it shall be avoided with respect to any item in regard to which there be any alteration after the commencement of the insurance, whereby the insured's interest ceases except by will or operation of law, unless such alteration be admitted by memorandum signed by or on behalf of the company. Notification to the company, therefore, is not necessary if the property passes under a will or by operation of law. The policy also usually provides that if at the time of destruction or damage to any building insured the insured shall have contracted to sell his interest in such building and the purchase shall not have been but shall be thereafter completed, the purchaser, on the completion of the purchase, if and in so far as the property is not otherwise insured by or on behalf of the purchaser against such destruction or damage, shall be entitled to the benefit of the policy so far as it relates to such destruction or damage without prejudice to the rights and liabilities of the insured or the company under the policy up to the date of completion of the purchase. In other circumstances, however, it is necessary to secure the consent of the company by memorandum to a change of interest. Frequently the change is only partial, such as when a mortgage or second mortgage is arranged, when it is customary to ask the company to admit the interest of the mortgagee or the second mortgagee. Obviously it is necessary to ensure that the instructions are received from the insured or a person acting on his behalf and, if they are not so received, to secure the insured's consent before transferring the interest or admitting a new one. For instance, a building society which had effected an insurance to protect itself in respect of an advance on the first mortgage might not be prepared to agree to the company admitting the interest of the second mortgagee in the policy, as the society would probably desire to have sole control of the policy moneys received in payment of the claim. The endorsement is not always placed on the policy, in some instances the change of interest being merely recorded in the books of the company.

Marine. Assignment occupies a very important position in marine insurance. Marine policies are freely assigned and, in fact, the

opening words of the policy provide for the possibility of assignment, a common form of wording being—

> Be it known that . . . as well in his own name as for and in the name and names of all and every other person or persons to whom the same doth, may, or shall appertain, in part or in all, make assurance, etc.

The explanation of this freedom of assignment lies in the necessities of overseas trade. In many cases cargo is sold during a voyage, and it would be impracticable to effect a new insurance every time goods changed hands. Further, the manner in which the policy is assigned must of necessity be simple. There could be no question of formalities which would hinder the smooth running of overseas trade, and consequently it is not necessary in the case of a cargo insurance to give notice of assignment to underwriters. The assured may merely endorse the policy in blank, that is, he signs his name on the back and provided the contract of sale clearly indicates that the terms of the sale include the transfer of the insurance cover, the transfer of rights against underwriters automatically follows the sale of the goods. It should be explained that this position causes no inconvenience in the case of a claim, as it is always necessary for the claimant to produce the policy when a claim arises. Specific assignment can be made but this necessitates endorsement by the named assignee. The possession of a properly endorsed policy is prima facie evidence of a right to recover thereunder.

In the case of insurances on the hulls of vessels, the policy usually contains a clause to the effect that it cannot be assigned without the written consent of underwriters to the change of ownership. This is a very necessary condition, as ownership is an important factor in estimating a hull risk.

The law relating to assignment in marine insurance is clearly stated in the Marine Insurance Act, 1906. Where the assured parts with his interest in the subject-matter insured, the rights under the policy are not transferred to the new owner unless there is an express or implied agreement to that effect. This does not, however, affect the transmission of interest by operation of law as in the case of bankruptcy or death.

Where the assured has parted with or lost his interest in the subject-matter insured and has not, before or at the time of so doing, expressly or impliedly agreed to assign the policy, any subsequent assignment is inoperative. This does not, however, prohibit the assignment of a policy after loss. When a loss has occurred, the right to claim under the policy then accrues, and an assignment in this case is merely a transfer of right to receive the moneys from a third party.

In cases where a marine policy is assigned, the assignee is entitled to sue on the policy in his own name, but he is also faced with the position that the underwriter is entitled to make any defence arising out of the contract which he would have been entitled to make if the action had been brought in the name of the person who effected the insurance. For example, if the original assured fails to disclose a material fact when effecting the insurance, this would entitle the underwriter to decline a claim made by an assignee, even though the assignee is innocent. It should be noted that only defences arising out of the contract can be raised by the underwriter as against an assignee, and an underwriter would not be entitled to deduct from the amount of a claim made by an assignee any moneys owed to him by the original assured.

A similar position to that described in the case of accident insurance arises in connexion with the assignment of the proceeds of a policy after a claim has arisen.

LOSS ASSESSORS—CLAIMS INSPECTORS—BUREAUX

The different methods of dealing with claims in the various branches of insurance is always a matter of interest to the insurance man and especially to students, and the merits of the various systems and the eternal question as to whether it is better to allow the claims to be dealt with by the company's officials or to place them in the hands of an independent assessor or adjuster is a constant source of controversy. It is therefore essential that the student should be familiar with the practice which at present obtains and should form some views and be acquainted with the arguments that are advanced by one side and the other.

Dealing first with the marine department, the doyen of our profession, we find there that both systems appertain—some of

the claims are dealt with in the office and some are passed over to average adjusters for adjustment.

Whilst many claims, though for considerable sums, are dealt with by the company's own officials the intricacies of marine insurance law and the various conflicting interests involved often make it desirable that the adjustment of claims should be handled by an independent person. The owners of hull or cargo or their underwriters who step into their shoes may have both to contribute and to receive. In the case of a ship with a general cargo the number of cargo owners probably will be very considerable. Then there are other parties such as those concerned with freight or shipowners' interests who may be involved, and the intervention of an outside expert is both necessary and desirable. The adjustment of a marine loss may be an involved and lengthy affair. So far as the office part of the matter is concerned, it generally falls to the lot of the secretary unless a special official is appointed for the work, the underwriter concerning himself mainly with the acceptance of the risks.

The average adjusters have formed a professional association among themselves—the Association of Average Adjusters—and have drawn up Rules of Practice partly based upon the custom of Lloyd's.

Adjusters work for shipowners or owners of cargo, by whom they are appointed, but their fees are paid by the underwriters where the claim is recoverable under the policy.

A small claim may be intricate or involve important principles claims dealt with by the claims department are the less involved ones, or those which do not affect other underwriters. Whilst many large total losses or complicated particular average claims on cargo are adjusted and settled by company claims men, it is likely that any general average or collision claim would be handed to average adjusters for adjustment.

Companies, however, often pass to an average adjuster claims for which their liability is uncertain, or which may involve disputes with the claimant.

In the case of the life department the question does not arise. Broadly speaking, there is nothing to do when a claim arises excepting to pay the sum assured after production of satisfactory proof of

death and title. The only question that can arise is where there have been transactions with the policy and it is not clear who is the person entitled to give a valid discharge for the policy moneys. The majority of questions of title can be settled in the office and difficult cases are referred to the company's solicitors.

The fire department use both methods. Whereas the majority of small losses (the fire department use this word in preference to claims) are dealt with by the office staff, all claims of any size are handed to loss assessors. In the larger centres there are firms who carry on this work as their exclusive business. Elsewhere it is generally done by surveyors and estate agents who add this work to their other activities.

The argument as to which is the better system is in reality a very fruitless one. The answer obviously is that both systems have their advantages and disadvantages, and the right course is to adopt whichever one is best suited to a particular case.

Whether one system is given preference over the other to the detriment of the business is another question and one which admits of argument, but as opinions differ and are likely to differ no final answer to the question is likely to be reached.

In the case of claims for loss of or damage to contents and buildings of private dwelling houses it is probably more economical to deal direct with the policyholder and in most cases the policyholder probably prefers this, as he usually does not see the necessity for the intervention of a third party. On the other hand there are the cases where the knowledge of local conditions and local prices and the reputation of a local professional man are of very great help in arriving at a fair and speedy settlement. Again, in the case of a large loss where several offices are interested on the schedule, the employment of an independent assessor has certain advantages. There is this further point to be borne in mind; the fees of the assessor are regarded as part of the loss, and are debited to the claims account, whereas the salaries and other expenses incidental to the settlement of losses in the office go to general expenses, an item which has already reached a point which makes it much too conspicuous. Each company differs in the extent to which it sends losses outside for assessment or deals with them in the office, and it is for each company, by keeping the question

constantly in mind, to decide whether what they are doing is in their best interests.

When we come to the accident department we find the two practices similarly prevailing. In the burglary section the fire practice is very closely followed. On the other hand, in the employers' liability the assessor is unknown. All the claims are dealt with by the office direct, being handed over to solicitors when legal proceedings are involved. The same position holds in the third party and personal accident sections and also in the motor section, except that in the case of motor own damage claims the services of motor engineers are utilized sometimes as technical advisers and sometimes as assessors.

Here the question must always be decided by the answer to the same question—What is the best course in the particular case? Accident departments being less tied by tradition than the older departments probably alternate between the two systems more readily.

There is no hesitation in placing a big burglary claim in the hands of an assessor; at the same time there is no hesitation in dealing with such a claim in the office where that is the better way, either because the insured wishes it or for some other reason. At the same time no employers' liability claim is sent outside. There are very few assessors who have the specialist knowledge on this subject that is to be found in a company's claims department.

The main advantage in sending claims to assessors is that it relieves the expense ratio, and in view of this it is sometimes urged that the accident department should establish legal departments. If they did so, then not only would they be able to conduct the defence of cases from the office (though, of course, it would be nominally from the solicitor's office), but they could hand over practically all their employers' liability claims to their solicitor, and as the Assurance Companies Act, 1909, allows legal expenses to be added to claims it would mean that a large proportion of what now comes under the heading of expenses would be transferred to claims where it may be considered more properly to belong. The objections to this course are obvious. We should deprive our good friends in the legal profession of business which they are very glad to

have, for insurance companies belong to that very desirable class of client who pays the bill of costs and also pays promptly. Further solicitors are valuable agents, and the old principle of "live and let live" is still a sound one.

In recent years the question of claims work has received a good deal of consideration—not more than it deserves, for it is said with a great deal of truth that it is in the claims department that the profit is made. This does not imply that it is made by a cheese-paring policy with regard to claims, but that all the good work of the underwriting department in carefully selecting the business can be brought to nought, and in fact brought to less than nought and into the red, by slackness in dealing with claims.

The latest development is the establishment of claims bureaux. In this country the idea of a bureau among different offices has not taken root, though it has been brought into being abroad in one case. The Calcutta Claims Bureau was established to deal with the claims of its members arising under their workmen's compensation policies. At home the idea has been restricted to bureaux serving one parent company and its associated offices. All the claims work of the group goes to the bureau which has offices in the most important centres throughout the country. This is, of course, reaping the fruits of amalgamation and should result in economies, but whether it will do all that is claimed for it and whether there are not accompanying disadvantages are questions which are open to argument. The statement that is sometimes made that the claims of one member of the group have preferential treatment as compared with those of another member is really not deserving of much credence. This is merely the outcome of office rivalry which is all to the good in promoting efficiency, keenness and enthusiasm, and utilizes arguments of this nature to disperse its spare energy. The subject has been touched upon under the heading of amalgamation.

STATISTICS

There is a school of thought which believes that an experienced underwriter need not verify his judgment by reference to detailed statistics. If over the whole business he is making a profit, it is merely a waste of money to produce masses of figures. On the other

hand, many underwriters consider that their competitive position is strengthened when they know the rate that can be justified by experience for each class of risk.

The nature of the statistics usually required and the method of compiling them naturally differ in each branch. In order to deal with the matter in as simple a way as possible it is better to take each department separately even at the risk of some repetition.

Accident. In the accident branch statistics are kept for most of the separate sections. The form of these statistics differs considerably between sections owing to the varying requirements of the business.

The method of compiling the statistics varies according to the volume of business and the organization of the particular company. Whereas in the case of a small company it is quite possible to compile the necessary data by hand it is apparent that as soon as the business reaches any size some other more economical method must be found. We may assume that the old manual method has to all intents and purposes disappeared and some mechanized system is used.

The machinery used for this purpose has already been described in a previous chapter. It remains to deal with the principles underlying the compilation of useful and reliable statistics.

With the passing of the manual method has gone the old haphazard method of merely taking out the experience of certain lines of business which seem to be running badly. That is a very limited use of statistics. Their true purpose is to provide such an analysis of the business as will show whether each particular line is producing its fair share of the profit or on the other hand is draining away the profit which other lines are producing. For example, in the case of employers' liability what is wanted is the experience trade by trade. Similarly, in the case of burglary business premises risks, it is desirable to know the experience not only by trades but also by districts. It is the purpose of statistics to provide this bird's-eye view of the business.

This part of our operations is sometimes referred to by the term "Classification." This, however, hardly denotes adequately the real purpose that underlies the work. It is not merely to classify the risks, to separate them into various classes, but also to produce

such statistics that the underwriter can see what the results of his underwriting are and so take guidance for the future.

The two main points for consideration are—

1. The method of compiling the statistics and producing the information required.

2. The nature of the statistics required in each section of the business.

The usual method of compiling the statistics is by means of Hollerith or Powers-Samas Machines, which are operated with cards. Each card is divided into a number of columns or "fields," and by means of a special punching machine a hole is punched in a different position in the column or "field" for each figure. A separate card is prepared for each transaction by punching the information in the requisite columns, and these cards are passed through the machine which sorts out all the cards of any particular class. Then by passing them through another machine any information given on these cards is tabulated in the required form.

It will be observed that a card is required for every transaction—for example, if a card relating to a particular policy has been prepared and this policy is not renewed it will be unnecessary to pick out this card. The matter can be rectified by putting in a card to cancel out the first one. In the same way, cards must be prepared for additional premiums and for rebates. It is a question of debits and credits by means of cards which are often printed in different colours to simplify working.

The cards are usually punched by girl operators who are supplied with slips giving the necessary data. The filling up of the slip is a pen and ink job. From the time the slip is filled up the work becomes mechanized—the girls punch the cards according to the directions on the slip, which are all in figures according to an agreed code, without requiring any knowledge of what these figures signify, and afterwards machines produce the necessary data.

The efficiency of the system depends upon whether the code has been skilfully drawn up. To draw up a code which omits no essential particular so that whatever reasonable statistics called for can be produced and at the same time is not overburdened with detail, is a matter which requires much thought and care.

This question of the form of the statistics required, or in other

words the code, needs a few words of explanation. In some classes of business which are subject to tariff the question may not be left to the individual offices. It is settled by the association which formulates the tariff so that the returns of all the subscribing members may be on similar lines.

The employers' liability tariff book, for example, allots a number for each classification so that when necessary the experience for the risks of each particular trade and the different divisions of the trade to which differential rating applies can be ascertained. In addition to what may be termed the official information may be added the information which the office requires for itself. In other cases where there is no tariff the composition of the whole of the slip is within its discretion.

The following is an outline of the information that might be required in the personal accident and burglary sections. It is probably much more detailed than the majority of offices would consider necessary nowadays.

It is usually advisable to keep the cash fields at the right-hand side of the cards, as those are cash columns for £ s. d. and have to be totalled, and it will be observed that any vacant columns or fields are therefore in the centre of the card and not as might be expected at the end.

PERSONAL ACCIDENT

Columns

1–2. Branch No.

3. Class of Card—
Code No.
1. Annual Policy.
2. Short Period or Additional Premium.
3. Cancelled Policy Premium.
4. Return premium.

4. Month of renewal or, if Short Period policy, month of issue

5. Duration in months. For annual policy, entry is 12.

6. Abatements, viz.
Code No.
1. Total Abstainers.
2. Life Policyholders or
3 Total Abstainers and Life Policyholders.
4. Time Abatements. Policies in force over 5 years.

Columns.

7–8. COVER, viz.

Code No.

01 Fatals only.
02 Accidents only.
03 Accidents and Specified Diseases.
04 All sickness.
05 Tourists.
06 Others.

9–10. CLASS OF RISK. According to the class for rating purposes.

11–12. OCCUPATION. Probably in addition to the division according to rating classes it will be desirable to have statistics of some occupations, e.g.

Code No.

01 Builders.
02 Butchers.
03 Farmers.
04 Medical Practitioners.
05 Travellers.

13–27. Any other Particulars which may be deemed necessary.

28–32. Capital Sum.

33–34. Year of Birth.

35. Age Groups according to age at date of issue of policy.

36–37. Division of Premium.

It will probably be desirable to split the premiums into some such groups as—

Code No.

01 Accidents only.
02 Specified Diseases.
03 Other Sickness.
04 Medical Expenses.
05 Extended Benefits.
06 Motor Cycling.
07 Others.

38–45. PREMIUM.

BURGLARY (BUSINESS PREMISES)

1–2. Branch No.

3. Special Features such as Alarms or other methods of protection or areas and other hazards.

4. Month of Issue or Renewal.

Columns

5. Class of Card.
   1. Annual Policy.
   2. Short Period, etc.
   3. Additional Premium.
   4. Return Premium.

6. COVER.
   Code No.
   1. Burglary and Housebreaking only.
   2. Burglary, Housebreaking and Larceny other than above.

7. First Loss.

8. Household Goods forming part of a business risk.

9–10. Occupancy.
   Code No.
   1. Occupied.
   2. Unoccupied.

CLASS OF RISK.

11–12.
   01. Saleshop.
   02. Warehouse and Store.
   03. Manufacturing risk.
   04. Not otherwise classified.

TRADE.

13–15. It will probably be found that about 200 trades will provide a workable classification.
If the business consists of more than one trade and there is no division of the sum insured the classification should be under the predominant trade. Where the sum insured is divided the risk should be separated according to the trade.

16–21. Sum insured.

22–37. Any other particulars required.

38–45. Premium.

Claims. Slips followed by cards will also have to be prepared in respect of each claim.

The particulars on these cards must be according to a code drawn up on the same lines as the policy code so that the resultant figures may be collated.

Fire. The aim of the statistics compiled in the fire department is to ascertain the results in respect of each separate class of risk underwritten, and usually distinction is made not only between

separate trades but also between sprinklered and non-sprinklered risks. A few offices may compile "class" statistics relating not only to gross business but also to net business, i.e. after deducting reinsurances, but generally statistics on a gross basis are regarded as being sufficient. There is no real uniformity amongst the offices in the compilation of fire statistics, each office adopting the system which best serves its needs. Furthermore, the number of classes and sub-classes into which risks are analysed will, of course, depend to some extent upon the volume of the company's business.

Most of the offices have adopted a code for a very detailed analysis of risks which in the case of some of the largest companies are analysed into hundreds of classes. In the case of some highly developed manufactures such as cotton mills, woollen mills, etc., in which processes presenting differing hazards are often segregated in separate sections of the premises, or such generic types as chemical works, the class is usually analysed into a number of appropriate subdivisions if the company's operations are on a large scale. But whether the code adopted is very detailed or not each company arranges its statistical information on a sufficiently analysed basis for its own special purposes to indicate which classes of risk are yielding a profit or incurring a loss, and to ascertain the rate which it is appropriate to charge for each class. This result is obtained from the careful classification of each fire policy and endorsement by recording particulars of the sums insured, premiums received and losses incurred in respect of every separate class of risk therein included. The analysed data are entered under code headings according to branch districts so that the experience for any loss can at any time be obtained either for the country as a whole or for any particular area.

While the old manual method is still used, most offices have adopted a machine system as explained in connexion with accident statistics, and the following is an example of a normally suitable code for a fire card, though it will be appreciated that either system lends itself to considerable variation—

Columns	*Code*
1–2.	Branch.
3.	Year of Business (last figure of year only).

Columns	*Code*
4.	Class of Card. *Code No.* 1. Annual Policy. 2. Short Period Policy. 3. Additional Premium. 4. Return Premium.
5–11.	Policy Number.
12.	Expiry Date.
13.	First Expiry Year.
14–16.	Class of risk.
17–18.	Sub-class of risk.
19.	Sprinklered or otherwise.
20.	Public Property or otherwise.
21.	Whether Explosion, Riot and Civil Commotion or other Special Peril is included.
22.	London County Council or other area.
23–29.	Sum Insured.
30–37.	Present Premium or Additional Premium.
38–45.	Annual Premium or Return Premium.

The card could be suitably adapted for the compilation of fire loss statistics by the substitution of the following code for columns 23–45—

Columns	*Code*
23–27.	Loss Number.
28–36.	Gross Loss.
37–45.	Net Loss (if required).

The statistics compiled in connexion with fire reinsurance arrangements, which take one of two forms, viz. treaty reinsurance and facultative reinsurance, are essentially simple in character, those relating to the former usually being confined to totals of premiums, losses and commission, quarterly statements of which are issued by and to each office with a note of the recipient office's proportion. Under treaty arrangements no regard is paid to the class of risk and no information is furnished in respect of individual risks.

In the case of facultative reinsurances, however, a specification is issued by the ceding office in respect of each transaction stating

the annual premium under the policy, the accepting offices' proportion and brief particulars of the policy itself, but normally, offices do not classify risks so accepted. Quarterly statements are issued and received by each office, but whereas "Treaty" quarterly statements give totals only, "Facultative" statements provide itemized information in respect of each case.

The balancing of these quarterly statements issued and received by any particular office indicates whether the total reinsurances, whether treaty or facultative, have been profitable or otherwise to that office, but that experience is not classified.

Marine. Owing to the infinite variety of types of craft, commodities, routes, perils and the conditions upon which marine insurance is transacted, classification of particular types of risk is a difficult matter, but nevertheless it is essential that an underwriter should know how similar risks have run in the past, and it is necessary to keep statistical books in such a way as to enable reliable figures to be placed at his disposal with the minimum of delay as and when required. The department's books must therefore be kept so that the result of any particular class of risk may be picked out speedily and accurately. For this purpose marine statistics may, broadly speaking, be divided into three main classes—

(*a*) Hull risks (experience of fleets or of individual vessels).

(*b*) Cargo risks.

(*c*) Agency, branch and individual clients or brokers' results.

These may be produced on either of the following bases—

1. *Revenue system* in which claims, returns, etc., are set against the current year's premiums irrespective of the fact that many of these are or have been incurred in respect of previous years' policies.

2. *Underwriting basis*, in which all claims, returns, salvages, etc., are written against the premium for the year in which the policy was issued.

The latter system is considered the more satisfactory and most underwriters prefer to keep their statistical records upon an underwriting basis, even though their accounts may be published in the revenue or what is known sometimes as the "fire" form of account.

(*a*) *Hull results.* A satisfactory method of keeping results of hull risks is on the ownership basis arranged alphabetically in a loose-leaf book. It is usual to show particulars of the date of

build and tonnage of the vessel. The policy number, value, period covered, sum insured, rate, conditions and premium are then posted in columns across the sheet and a space left below to record any further lines or additional premiums. Columns are provided for returns, claims (salvages in red), nature of claim, amount reinsured, reinsurance premiums and reinsurance claims. It is of great assistance to have the claims column subdivided into first-year claims, second-year claims, and suspense account (meaning third and subsequent years' claims). From this book results can be produced for any ownership, any individual vessel or a group of vessels at short notice. At the end of the underwriting year, the figures for each ownership are totalled and summarized to form an abridged book of ownership results showing names of owners in alphabetical order with a column for each year showing the total of net premiums and net claims against each underwriting year, and a total column in which a balance is struck and the percentage of claims to premiums is shown.

(*b*) *Cargo risks.* *The Voyage Book* seems to have been first used by Lloyd's underwriters in the very early days. Originally the purpose of this book was (as its name suggests) to classify all risks by means of the voyage undertaken. For example, the book might contain sections for risks on the following voyages—

Mediterranean out.
Mediterranean home.
Australia out.
Australia home.
U.K. coasting.
Cross voyages.

In some cases, however, it has been found advisable to open a special section for a particular interest and to ignore the classification by voyage, e.g.—

(*a*) Coal, Ocean.
(*b*) Coal, Coaster.
(*c*) Specie.
(*d*) Household Goods.
(*e*) Personal Effects.
(*f*) Baltic Timber.
(*g*) Frozen Meat.
(*h*) Petroleum, oil, etc.

When a risk is entered in this book the following particulars are shown—

(*a*) Policy number.
(*b*) Vessel and transshipping vessel, if any.
(*c*) The exact voyage.
(*d*) Assured's name.
(*e*) Interest.
(*f*) Type of packing.
(*g*) Sum insured.
(*h*) Rate per cent.
(*i*) Conditions.
(*j*) Net premium.

Against this entry are noted any subsequent returns, claims and salvages.

In the case of foreign cargo business, some companies may rely entirely on the statistics furnished by their agents annually or upon renewal of contracts, but others extract from agencies' returns the results of individual open covers or open policies or exceptionally compile statistics upon a commodity basis.

Disasters. It often occurs that the results of a particular business are spoiled by an isolated disaster, and in all results, whether for hull or cargo business, a note should be made of the extent to which the results are affected by any major casualty such as a total loss. Should the underwriter consider that the recurrence of such a claim is unlikely, he may decide to continue to write the business which he would have black-listed had the statistics been produced in the form of net premiums and net claims with no note of the amount of the major casualty.

Account books. Very often it is required to know the results of a particular assured's or broker's business, and these figures are generally taken from the accounts department's books monthly and written on a suitably ruled sheet, being summarized and compiled in the form of a small book, showing only the premiums net of rebates and returns and claims net of salvages, further details being supplied only if asked for.

In the case of brokers' accounts two parallel sets of figures are frequently stated, viz. the results of the business received from the broker compared with the reinsurance business given to the broker to place.

(*c*) *Agency and branch results.* An annual statement is prepared showing the results of all agencies and branches over a period of years, so that a source of unprofitable business can be picked out and the terms revised. This is done by transferring the accounts department's monthly figures to suitably ruled sheets with columns

for the underwriting years, similarly to the method outlined above for individual clients' or brokers' results so that at any given date the position of a branch, agency or client's business may be shown.

It is important that all statistics supplied to the underwriters should include a note of outstanding claims relating to the business supplied upon an underwriting basis—that is, relating to each individual year.

This information should be readily available in an efficiently organized claims department.

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