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**Special Meeting
Insurance Committee
International Cooperative Alliance**

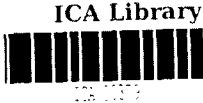
New York City, U.S.A. September 22-24, 1959

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Special Meeting of Insurance Committee of International Cooperative Alliance

*Waldorf-Astoria Hotel, New York City, U.S.A.
September 22-24, 1959*

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TUESDAY, SEPTEMBER 22

The Committee opened its special meeting at 10 a.m. with Robert Dinnage, Great Britain, Committee chairman, presiding. The meeting, he said, was in response to an invitation by The Cooperative League of U.S.A. Mr. Dinnage said he felt sure the conference with its "Insurance Plus" theme, would result in a fuller understanding of the Committee's problems, objectives, and scope; that it would provide valuable technical information for the participants; and that it would further promotion of cooperation and cooperative insurance throughout the world.

Raymond Lemaire, Belgium, reported on the Committee's Reinsurance Bureau.

Report on Reinsurance Bureau

RAYMOND LEMAIRE

Executive Vice President, La Prevoyance Sociale

THOSE WHO attended the Stockholm meeting received there a report on the Reinsurance Bureau's activity. I am afraid it might be somewhat monotonous for them to hear again a report on the subject.

Two good reasons for the inclusion of this question at the agenda of the present conference:

First, we have the pleasure to have quite a good number of American friends who, for the first time, attend a conference of the Insurance Committee. And the organizers of this meeting were of the opinion that our colleagues would like to get more familiar with the various types of activities of the Insurance Committee.

Secondly, the Bureau has now been in existence for ten years.

After the second World War, the cooperative insurance organizations of Great Britain, Sweden and Belgium resumed the reciprocal exchange of reinsurance business among each other which had been commenced between the wars and was interrupted for the duration of World War II.

I should add that already in 1923, when the Insurance Committee came into existence, the problem of reinsurance was considered. Practically, the reinsurances exchanged between Sweden, Great Britain and Belgium were a conclusion of the initial policy of the Insurance Committee.

In 1949, the executive committee felt that these exchanges between cooperative insurance organizations were capable of considerable expansion.

Accordingly, the executive committee appointed a small sub-committee to consider the suggestion, that an international co-operative reinsurance company should be established to deal with the reinsurance business of cooperative insurance organizations throughout the world or, if this was not considered desirable, what alternative steps could be taken.

The idea of the creation of a separate international reinsurance company was thoroughly investigated.

The conclusions, unanimous, of the investigation committee were not in favour of the establishment of a new reinsurance company, for the following reasons:

- a) Difficulties arising in obtaining adequate capital resources owing to restrictions to the transfer of currencies of various countries;
- b) The considerable difference in size of the cooperative insurance societies which would participate in the financial establishment of a new company;
- c) The important administration costs attached to a new company, for which the potential development was limited to cooperative organizations.

The executive committee and the general conferences adopted the conclusions of the sub-committee and accepted this recommendation that, in order to promote the exchange of reinsurance business between cooperative insurance organizations, an international reinsurance bureau should be established.

It is administered by a committee of three specialists and the

secretariat is in the hands of Mr. J. L. Nuttall, assistant general manager of the C.I.S.—Manchester.

DEVELOPMENT

For the past ten years, either by visits or correspondence, with all the cooperative insurance organizations known to us, the Bureau has shown a steady increase each year, both in the number of reinsurance contracts exchanged, as well as premium income.

At the end of March, 1959, 276 reinsurance contracts were in force between members of the International Cooperative Alliance of which 236 have been negotiated through the Bureau.

They concern 25 companies, belonging to 16 different countries spread over four continents.

Total premium income for the year ending March 1959, 1,121,645 £ sterling, exchanged between the following companies:

Traduna (South Africa)	Alka (Denmark)
N.C.I.S. (Australia)	Nerva (Denmark)
Wiener Stadtische (Austria)	Kansa (Finland)
Prevoyance Sociale (Belgium)	Vara (Finland)
C.I.S. (Great Britain)	Raiffeisendienst (Germany)
C.F. & C.C. (Canada)	De Centrale (Holland)
C.I.A. (Canada)	Samvinn (Iceland)
Co-op-Life Regina	Union Co-op. Insurance (India)
Pool Insurance Assoc. (Canada)	Co-op. General Hyderabad (India)
S.F.I.O. (Canada)	Hassneh (Israel)
S.G. & F. (Canada)	Samvirke (Norway)
Co-op Wholesale Est. (Ceylon)	Nye Norsek (Norway)
	Samarbete (Sweden)

At the beginning, only fire business was reinsured but, progressively, we extended the arrangement to other branches.

The premium income corresponds now to the following classification:

	£ sterling	%
Fire	769,684	68.62
Accident	69,722	6.22
Life	11,024	0.98
Motor	222,545	19.84
Marine	48,410	4.32
Goods in transit	260	0.02

You will see by those figures that the results represent already a remarkable volume of premiums, which up to the creation of the Bureau were ceded to traditional professional and non-cooperative enterprises.

You will note also the tendency to extend cooperative reinsurance exchanges to other branches than Fire.

METHODS OF CONTACTS

You have heard the records. The rather rapid, and we believe satisfactory development, is probably due to the methods of working adopted by the Committee.

a) First, the three members of the Bureau have each regular personal contacts with the leaders of various cooperative insurance societies. For example, our Swedish colleague has frequent conversations with the Scandinavian cooperative societies. Mr. Nuttall keeps a regular contact with our friends from Canada. I see at regular intervals our colleagues from France, Holland, Germany and Austria.

b) Besides those personal contacts, the Bureau meets once a year, usually in a different country. This gives them an opportunity for personal contacts with the management of the cooperative societies of the country visited. It enables the members of the Bureau to appreciate the problems proper to each country or to the companies of those countries. With a better knowledge of the problems, they can more effectively advise all the members of the Bureau. Better informed, they can adjust the terms of the treaties in accordance with local circumstances. They get an opportunity to study certain problems with local cooperative companies and bring to the discussion the experience gained in other countries.

QUALITY VERSUS QUANTITY

The aim of the Bureau is to promote the exchange of reinsurance arrangements between cooperative insurance companies. But not anyhow. And not at any cost. We are not brokers.

Yes, we endeavor to persuade cooperative insurance societies to release shares of their reinsurance treaties from non-cooperative connections, in order to place them within the cooperative circle . . . but only if the quality of the business presented, and the underwriting policy of the company concerned meet the standards required by the Bureau sub-committee. We feel it a moral duty to watch the quality of the business presented. When the quality is not satisfactory, the

Bureau, by way of suggestions, may have to recommend a company to give consideration to making changes in its underwriting policy.

Naturally, the intervention of the Bureau in this way is only conceivable when the bad results are due to technical reasons. If, however, they are external, as for example, the financial policy of a government, then there is nothing practicable which can be done in this way.

ADVICE ON LONG TERM POLICY

But, being kept informed of the problems of various markets, the Bureau can be of some assistance. The observation of economic and political tendencies of a government or a group of governments can influence a company in determining a long term policy.

COMMON MARKET

I would like to point out one example of a problem which will face tomorrow a certain number of cooperative insurance societies of Western Europe. We see the setting-up of a Common Market, which maintains the political frontiers of the state members but creates a common economical base.

The territory of six nations—Germany, France, Italy, Holland, Luxemburg and Belgium—will become the geographical territory of a Common Market. The same market will apply for insurance business.

A number of insurance enterprises, stock companies of course, belonging to the most traditional capitalist type, have started establishing branch offices in the countries adhering to the Common Market. Being represented in the six partners' territories, they will cover the whole Common Market and take advantage of it.

What will be the position of the cooperative insurance organizations?

We have always felt morally obliged to avoid encroaching outside the border of our own national ground, for we do not want to compete with sister organizations on their national territory. No one in Belgium would dream of prospecting Holland in search of Dutch cooperators, and vice versa.

But the strict application of this very laudable principle may place the cooperative insurance society in each of the six countries that are members of the Common Market, at a disadvantage in regard to the non-cooperative societies which will be represented throughout the whole territory.

A large enterprise, having their head office in Amsterdam, but having factories in the six countries, would probably prefer to transact the insurance for the whole group with one company having branches or representation throughout the six countries.

Is it daring to think this problem should be taken into consideration by the various cooperative insurance societies of the Common Market?

Without presuming to know what might be the solution, and admitting that the national entity must be maintained in the cooperative sector, one feels that it might be desirable to consider the possibility of evolving a system of mutual, reciprocal or multilateral representation giving the opportunity to each of the cooperative companies to act and possibly underwrite in the name of the others when dealing with a prospect whose risks are spread over the whole territory of the Common Market.

ATOMIC ENERGY

Other problems than political or economical ones may create new situations to be considered by the insurance industry. Should not the use of atomic energy be placed amongst them? A new area is opened up by the use of human knowledge of the elements. It is certain that the increasing application of atomic energy to industrial uses creates a risk, using this word in our professional meaning, unknown up to now. And its existence subjects the private insurance industry to a searching test.

The existing insurance market could escape its responsibility, abdicate before the size of the problem and leave it to the state to look after it. In such an event, it is hardly likely that the state would limit its intervention to such very hazardous risks but would be tempted to extend its activities to the more profitable ones.

Of course, I do not believe that the cooperative insurance market is at present big enough to participate, on an international scale, for a very important part in the tremendous amounts of cover required owing to the use of atomic energy.

I am certain that many of us, in our own countries, participate in national pools by way of co-assurance or reinsurance. Through the intervention of those pools, they also take a share in other national pools and in so doing, justify the existence of cooperative insurance in preference to state enterprise as well as traditional capitalistic enterprise.

But a knowledge of what happens in the various countries, can be of interest for each of us. For instance, what should be the participation of a cooperative insurance society in the cover of a reactor? From information I have gathered, it has been suggested that the basic subscription of non-cooperative companies should be 1 to 2% of the company's funds (meaning self-retention).

REINSURANCE PROPOSALS

In still another field, the information collated by the Bureau can be of use. No doubt, many of you have been offered a share in the reinsurance of a company abroad (non-cooperative). On the basis of your own experience, and in consideration of the tariff used by the proposing company, you may have gained the impression it was an excellent prospect. Unfortunately, experience can transform such optimism to a very bitter deception. I would like to mention one example, in a branch which is far from brilliant everywhere, but which varies from one country to another.

It is inevitable that when the premium rates do not follow the claims cost, or when the reserves for outstanding losses prove to be consistently understated, the insurer and reinsurer are bound to have cruel awakenings.

I would like to offer for your consideration another factor which might help in the approach to such a problem. And to assist each of you to consider the matter objectively, I shall take the example in my own country: Belgium. Compared with the rates asked in neighboring countries, our tariffs in "automobile" are high. And still our automobile business is *not* profitable. From the observation of various factors I will mention, it appears that the claims frequency in "automobile" business in a country is related to the density of the population *and* the density of traffic. To judge the density of traffic, it is necessary to compare the number of vehicles in use with the total km. of roads.

If you add to that the density of population, you have certain bases of appreciation which can be checked, when you compare the number of fatal accidents by 1,000 km. of roads for different countries.

Here are the figures for 1956 for four countries:

	U.S.A.	France	Gt.Brit.	Belgium
Number of vehicles by 1,000 km. of roads	12,410	7,000	12,850	29,000
Number of inhabitants by km. 2	18	73	190	295
Number of fatal accidents by 1,000 km. of roads	7.5	13.2	15.7	37.1

Those factors have to be kept in mind when considering a reinsurance proposal presented for a Company belonging to another market than your own.

TOMORROW

I spoke of what has been done or is being done by the Bureau. Probably, you expect from me some indication as to the prospects for its future development. I shall summarize them very briefly.

1) The volume of business can be developed if we extend the exchanges of reinsurances to other branches of reinsurance than Fire, as has already been commenced.

2) We shall have to persuade existing organizations who still have not joined the Bureau to do so. Among these are several societies in India, Pakistan, Japan, Australia, and the Argentine, the last mentioned because of the present legislation in the Argentine.

3) We must assist cooperative movements in countries where no cooperative insurance organization exists, among which may be mentioned: France (although the establishment of one in France is now well on its way), Turkey, Puerto Rico, Portugal, Mexico.

In the case of underdeveloped countries, we should help by means of technical assistance and the provision of the necessary reinsurance facilities, those countries to establish cooperative organizations. In this connection, I should mention that in furtherance of this object, "Folksam"-Sweden and "La Prevoyance Sociale"-Belgium have allocated grants, whilst the C.I.S.-Manchester have welcomed trainees from India, Pakistan and Ghana, and La Prevoyance Sociale from Algeria.

DINESH M. DESAI, manager, Union Cooperative Insurance Society, India, suggested the creation of a reinsurance pool in which all the members of the I.C.A. Insurance Committee would participate. This would reduce the cost of reinsurance, Mr. Desai said, it would bring the members of the pool closer together and strengthen them, and it would help place small cooperative insurers in a more competitive position.

Mr. Lemaire pointed out that creation of a cooperative insurance pool was considered ten years ago and was found to be inadvisable at that time. He expressed doubt that circumstances have changed sufficiently to make the original decision obsolete. If it is difficult to pool

insurance societies in one country, how much more difficult it would be to pool insurance societies from all over the world. Creation of a pool would in effect mean creation of a reinsurance company and there would arise the problem of currencies as between different countries. The difference in size of the member companies would cause difficulty. His main point, however, was that the potential reinsurance market among cooperative companies is limited and not large enough for the security of companies in the pool. Also, administrative costs would be prohibitive.

Seved Apelqvist, Sweden, introduced Jerry Voorhis, executive director of The Cooperative League of U.S.A., as the luncheon speaker. Murray D. Lincoln, president of The League, had been scheduled to speak but was detained in Europe.

Insurance Plus

JERRY VOORHIS

We are very happy to have you visiting us here in America for a few days. We hope you will find things pleasing and interesting in our country and that you will come back again soon.

I can't speak to you today from the point of view of an expert in the field of insurance. However I would like to speak with you as one concerned very deeply about the total contribution of cooperation and mutuality and of cooperative enterprise to the solution of the problems of mankind in its period of greatest and deepest and most portentous decisions. And of course I speak with hope in my heart for the peculiar and unique contribution which I believe insurance can make to that total contribution of cooperative enterprise.

After all, mutual insurance is the purest kind of cooperation or mutuality that exists, for in the case of mutual insurance not only do people invest their savings in establishing a business enterprise, they also literally are willing to share together the basic risks and hazards of life, to pool those risks and hazards together with one another and to agree with one another that in addition to that they will pool their savings in order that those who need it most at any given time may be protected at the expense indeed of the entire group.

Take health insurance as an example. Health insurance is impossible unless many, many well people are insured along with sick

ones, and those well people pay the bill for the care of the sick people. No finer example of the true meaning of cooperation can be found than this, nor no better enterprise. Furthermore, mutual insurance can have no non-member business whatever because by the very act of taking out a policy, one becomes a member. I'm afraid, however, few people understand this.

Still fewer people understand how true mutuals operate quite differently from other insurance companies. We all know that some mutual companies are that in name only, and the task of trying to make a genuinely mutual enterprise or society out of a mutual insurance company with a cooperative orientation is one for the giants, but one upon which so much depends today, that the whole burden of what I shall have to say lies in an urging upon those of you in this room who could do that job to undertake it with the kind of dedication that has led you to the achievements thus far attained.

There are, I think, some standards by which we may judge the degree to which a mutual company achieves true mutuality or the true nature of a cooperative insurance company. For one thing, it reduces premium costs as much as it can and in our own country, as well as in yours, this impact upon the insurance business has been of tremendous consequence and benefit through the years to the people generally, a benefit, however, which the people generally probably realize hardly at all.

In the second place a truly mutual or cooperative insurance company will repay as much in dividends to policyholders as it can and will regard every penny that comes into its hands as still belonging to the policyholder and being his or her money, not that of the insurance company, to be held only in trust for the policy owner whose savings they are.

In the third place, a truly mutual or cooperative company will invest just as much as it possibly can according to the direct economic interests of its policy owners and, if possible, according to their own expressed will.

Finally, and perhaps most difficult, every truly mutual or cooperative company will seek in every way it can find to do so policy owner participation in control and guidance of that company. On this last point, I should like to expand just a little bit, for I realize what a colossal undertaking it is, particularly when companies have achieved the degree of success and the magnitude of operation of many of those from our European countries.

Yet I believe there is a way in which approach can be made to this kind of actual participation in the decision making of an insurance company on the part of its broad group of policy owners, and I think in general the answer to it is group representation and I would like, if you will pardon me, to give three examples of approaches that have been taken by three different United States companies, in this regard.

One such company has attempted this by a system of policy owner advisory committees, developed by the agents in localities with policyholders called together for meetings to discuss the affairs of their insurance company at a local level and then electing representatives to regional meetings of a similar character and finally out of those regional meetings coming representatives to a top level meeting at the home office where officials of that company sit down with these policy owner representatives to exact from them their ideas and suggestions and to attempt to put those in practice in the company.

In another case, one of our companies has developed a system of district meetings of policyholders, those district meetings electing representatives to attend the annual meeting of the company as the direct representatives of the policy owners in that area and thus obtaining a kind of representative government at the annual meeting instead of depending upon the fruitless efforts to bring in individual policy owners for that purpose.

Finally, and perhaps of the greatest significance in some respects, a third of our companies has developed a plan whereby the ownership and control of those insurance companies vests in local cooperative enterprises of one kind and another, rural electric cooperatives, credit unions, farm supply cooperatives, farm marketing cooperatives, consumer cooperatives, every kind, and where the shares of owning stock that control the operations and the elections of that insurance company are held by these local cooperative enterprises and groups.

I give these only as examples of ways in which a degree of genuine participation on the part of the people who are the policy owners of these companies can be had, and why do I think this is so important? Well, I think it is so important fundamentally because, after all, savings are the basis of all economic progress. Man made no economic progress whatever until the first primitive man had fashioned a stone tool, and that stone tool took time to make. That primitive man had to spend time that he might have spent gathering food to make that stone tool. His savings were represented in that stone tool, and once it had been fashioned, he was in a position then to make economic

progress vastly beyond what he could have never done before. Later on it was accumulations of hides perhaps, or of metals particularly adapted to the making of metal tools or what not, that constituted the savings of man and made possible the spending of time upon occupations other than the gathering of food for immediate consumption; in order that towns and villages might be built and other works undertaken which represented economic progress.

In modern times, of course, our savings are made in money and those savings in money are as precious to the people who make them as were once the savings in tools of a physical sort. But without savings, there is no economic progress. Savings can be the means of enslaving the people. He who controls the savings of a nation controls that nation's economic destiny absolutely. If the people be so dumb that they permit others completely to control all the savings that they have made, then they deserve a kind of economic serfdom and they get it, but savings retained under the control of the people themselves can be obviously the means of setting those people free. That's our enterprise.

So I would say that the central purpose of cooperative insurance companies is not to build big insurance empires, though that is a means to the end, but rather to enable great numbers of people in this world today to control effectively their own savings and use them in their own interests; use them, for example, for the launching of other types of cooperatives and mutual enterprises. Not that I think that insurance money can be used for risk ventures of this sort, but it can be used for safe ventures and for safe investments, and this is especially important now for the great money markets of today and the great pools of savings and the great means of financing enterprise in the free nations of the world is no longer in what we used to call "Wall Street", which actually we seldom mention any more except for political purposes; rather those great pools of savings are in the insurance companies of our country and of yours.

I am told that somewhere between 9 and 10 billions of dollars annually of new investment must be made by the officials of the life insurance companies of the United States alone. This obviously is a sufficient volume of new investments to control the course of the American economy.

If the officials of the big insurance companies informed the treasury of the United States that they are displeased with the interest rate on government securities, the chances are that the interest rate on the

government securities will be changed. So I say again that if the people can learn to control by means of controlling their insurance dollars, they then have the master key to controlling their economic fate. Furthermore, because this is so difficult an assignment in the nature of the case, I would also add that if the people can develop ways and means, and if the people in this room can help them develop ways and means, to effectively control their great insurance companies of a cooperative nature, they can earn any kind of cooperation. Democracy and freedom will be safe. We can develop methods of democratic participation in the control of cooperative and truly mutual insurance companies.

It is well for us sometimes to reflect upon the use of the peoples' dollars through our insurance companies. I know one company that has a general program whereby it says that its investments are made in three great fields—homes, the public welfare and in other kinds of cooperatives. This is *one* way.

Another way is by such means as will guard against both inflation and deflation, for the policy owner. Another company is working very hard at ways and means of making this possible by offering people at one and the same time the chance to purchase insurance protection and also to invest in mutual funds, for by putting their savings into insurance, they protect themselves in case the purchasing power of the dollar increases, for they will benefit in such a case and are therefore protected against deflation.

By investing in a mutual fund which contains securities that may rise in value, in an inflationary economy, they can protect themselves at the same time against the effects of inflation, so that by such a program, an insurance company with that kind of concern for the welfare of its policy owners protects them in both directions.

These, as I see it, are some of the tasks that cooperative insurance needs to undertake in these times of great decision for mankind. To bolster what I myself have said, I would like to quote to you from the speech that Mr. Lincoln would have delivered had he been here. He said: "Ours is the only kind of institution that is set up for the purpose of *blending economic and social objectives*. Through insurance, for example, we can help people build lifetime financial structures impregnable to gusts of financial disaster. We can also help people to fulfill other needs and to take their rightful places as full-fledged, voting, productive members of a democratic society. Indeed we can influence the character of society as a whole. Our responsibility is

great. The task before us is tremendous. As someone has put it, the road ahead for cooperatives is beset with unparalleled problems and unparalleled opportunities. For it would be nothing less than the emergence of a truly cooperative world of freedom, plenty and peace.”

Then in conclusion Mr. Lincoln would have said: “So let us close ranks. Let us see to it that our International Cooperative Alliance gets the resources and means to take its rightful place as a major world force for cooperation, economically, socially and spiritually. Let us strengthen this Insurance Committee with the necessary manpower and funds to enable it to act as a specialized I.C.A. Agency in development activities. I would suggest that the Committee consider setting up a research unit to look into the needs of people worldwide and to list international projects such as oil development or sponsorship of the International Cooperative Bank that might be considered in what I hope will be annual not triennial meetings of the committee. I am convinced that we are never going to solve some of the bigger world problems until people everywhere have gotten hold of the ability to feed themselves and to get the good things of life that we have but that they don't now have. We know they can do this through cooperatives. If we can figure out how to spread and strengthen cooperatives all over the world, we can literally change the course of history.”

And in conclusion, on my own behalf, I would like to point out that cooperative insurance, uniquely among all other types of cooperative enterprises, has entree to practically the whole of the population and certainly to vastly more people than has any other particular kind of cooperative institution.

So cooperative insurance, potentially gathering in the precious savings of the people on which all economic progress depends, and gathering those savings under the method of true basic cooperation and mutuality as a means of sharing the fundamental risks and hazards of our life together here on earth, has two choices. On the one hand, it can hide its cooperative character under a bushel so as to get more business, or it can assume its full share of building the understanding of the people in the necessity in times like these of strengthening the impact and the influence on the economies of all nations cooperative ideals, cooperative method, and cooperative enterprise as a whole.

MR. DINNAGE responded to Mr. Voorhis. He pointed out that the C.I.S. does not practice the precept of policyholder control. “We are

quite satisfied that we are controlled by the cooperative movement." The C.I.S. is controlled jointly by the English and Scottish cooperative wholesale societies. "If you get the right kind of directors from cooperative sources, you get all the cooperative safeguards required." He added that the C.I.S. has had no demand from policyholders for direct control.

Mr. Dinnage made the point that cooperative insurance companies must adhere to sound insurance principles. Departure from those principles will only lead to trouble. "An inefficient business of any kind is no recommendation to the cooperative movement." It is in the distribution of surplus that cooperative companies must take a different line from ordinary companies.

Mr. Dinnage explained that the C.I.S. decided, rather than to establish branch offices in underdeveloped countries, to offer help in establishment of independent societies in those areas.

He suggested that a problem all insurance cooperatives will meet sooner or later is that of trade unions. In England, he said, unions are demanding higher wages than in non-cooperative firms, and trade union leaders are taking the position that employees' interests must come before those of the consumer. We have never found that trade unions see cooperative employment as any different from capitalistic employment.

Mr. Voorhis explained that he had not meant to imply that policyholders should participate in management. "This would be utterly disastrous." He added: "What we do believe in is effective participation by policyholders in effective groups in the over-all control of insurance societies and the over-all policy-making decisions." He said he agreed that cooperative insurance funds should not all be placed in cooperative investments and suggested that one of the best influences a cooperative insurance company can have is to say "no" to a cooperative which does not measure up to risk requirements.

Peder Soiland, Norway, said the Norwegian government is on the verge of adopting legislation requiring all life insurance companies to be set up on a mutual basis. The purpose, he said, is to provide for more policyholder participation in government of the companies. However, he said it has been his experience that both mutual companies and share (or stock) companies can be run without regard for the policyholder. On the other hand, he said it should not be difficult for the cooperative life insurance company, now a share firm, to reorganize on a mutual basis and to provide for policyholder participation

in government, using local cooperatives as the ground floor for parliamentary organization.

H. W. Culbreth, Nationwide, U.S.A., suggested that the general topic of the relation between governments and insurance should be given attention. Government regulation varies from country to country, he said, but as insurance funds become larger and larger, they become more and more interesting to government.

F. F. Rondeau, Mutual Service, U.S.A., said that on policyholder participation and control, what we are primarily concerned about is that management, directly or indirectly, be accountable to the people served.

Calvin Kytte, Nationwide, U.S.A., explained that at Nationwide, sponsoring organizations (cooperatives, farm groups, credit unions and other people's companies) supply nominees for the Nationwide board of directors. These persons have long experience in cooperatives. They are backstopped, then, with a system of advisory policyholder committees designed to introduce a further element of democracy into the government structure. These committees, however, are purely advisory.

D. E. Stauffer, Ontario, warned that if cooperatives do not move faster, state control will take over. He pointed to farm regimentation as an ominous sign of things to come. "Let's cooperate before the whole economy gets under the state."

Mr. Apelqvist said 60% of Folksam's investments are through cooperative building societies, and that Folksam invests a lot of money through other cooperatives. Folksam also has for ten years invested a lot of money in the Labor party's press since 1,500,000 trade unionists are also Folksam policyholders. To get policyholder control of their insurance company, Folksam, between 1920 and 1958, provided for election of its governing body by the consumer cooperative congress. In 1958 the system was changed so that of the 45 members of the top governing body, 30 are elected by the cooperative congress and 15 by the trade unions. That 45-member unit in turn elects the board of Folksam. "As in England, workers and clerks have asked for higher wages and better conditions than in private enterprise. However, 20 years ago trade unions and the cooperative wholesale society agreed to the principle that people working in cooperatives should not ask for better wages and conditions than in any other company. And the arrangement works."

At this point the session closed.

H. E. EVANS, Nationwide, U.S.A., served as toastmaster for the dinner meeting. He read a telegram from the office of President Eisenhower expressing best wishes for a most memorable conference. The dinner speaker was Norman Cousins, editor, Saturday Review.

World Without End?

NORMAN COUSINS

I ADDRESS you as World Citizens. I do so advisedly because it seems to me that you here have been able to prove that there is a language of effective understanding far more important than any language that is contained in dictionaries or in the formal mediums of exchange and communication. The language that you speak is the language of cooperation, the most powerful language in the world. The one language all peoples in the world are now waiting to hear. So I pay tribute to you as World Citizens.

You see, we here in this country are attempting as best we can to learn this language. I know, speaking for myself, that I came up through what one might describe as the average American education and as a result I was a half educated man. Now I am not criticizing American education, I am just trying to explain it. I'm a half educated man because my education prepared me for living only half a world—the white western half. My education did not prepare me for the larger half, it didn't prepare me for access to, or dealings with, the overwhelming majority of the world's peoples who happen to live in Asia and Africa.

Now, to the extent that the purpose of education is to prepare an individual to be on his own in the world around him, then one can say that I was a half educated man and I am afraid that this is perhaps all too true of many of us. I am hopeful, however, that new languages will be spoken. I am not thinking now of Esperanto or methods of communication that are more rapid, I am thinking of something far deeper: the language of the heart, the language of basic human understanding, the language of peoples working together in Murray Lincoln's terms.

I have been fortunate in the past ten years in knowing something about Murray Lincoln and his organization, and perhaps to a lesser

extent about you and your work. And please believe me, in our times two things are needed more than anything else. One is faith in one's fellowman at a time when the world seems to be going berserk. The other thing that we need more than anything else is the feeling that we can get through to people, that it is possible to hold out one's hand and have it accepted.

Watching Murray Lincoln work and speak the language of the future, and watching you in your work, I would like to salute you because this is the language that the world needs. The world desperately needs this kind of language. The world desperately needs to complete its education. We will not survive as half-educated men. We will either become aware of the world environment, more at ease in the world environment, accept and fulfill our responsibilities in that world environment or we will succumb to an environment which we do not quite comprehend.

Now the environment changes. Only the other day, for the first time in human history, a man-made object took off from the earth and arrived on another heavenly body. Yet what could have been the most stirring moment in human history became instead a moment of perhaps increased tension. And why is this? The answer is, it seems to me, that we, the members of the human race, are now getting ready to put a few men on the moon and to blow the rest to Hell. We have triumphed in everything except our sense of values. We are willing to assign hundreds, thousands of men to work on a space machine for the purpose of exploring the other heavenly bodies, but we have not yet mobilized even a dozen men for the purpose of studying what is necessary so that life can survive on this particular planet.

Is there one man anywhere in the world in authority, is there one man, just one in a position of authority, who is devoting himself full time to the most important problem in the world—the problem of world peace? I can't think of any. Some would say, what about Dag Hammarskjold? Doesn't he, in a position of authority, devote himself full time to the problems of world peace? Dag Hammarskjold would like to be able to devote himself full time to the problems of world peace but the fact of the matter is that he does not have authority in terms of real problems of world peace. Dag Hammarskjold, by necessity, presides over a collection of fully sovereign nations, where the will of any nation is strong enough to block the rest of the world. We do not have world law through the United Nations.

Now we must, of course, retain our perspective. Nothing would

be more dangerous than to depart from the United Nations or to lose our confidence in the United Nations because it does not have the effective powers of world law. Because, weak though the United Nations may be, it does represent an access to the human conscience and in that sense it does have power.

But in terms of what is specifically necessary, namely an organization which can prevent aggression; an organization which can pass and carry out laws that are binding on individuals in those matters clearly concerned with the common security of the world's peoples; an organization which clearly has authority in this matter concerned not only with common dangers but common needs; in this sense the United Nations does not have authority. Any one nation has more power than the United Nations as a whole, if that nation is bent on disturbing the peace.

Take the veto. In the General Assembly, for example, two nations with a combined population of under ten million can outvote a nation with 200,000,000 population. So the large nations are not going to give the General Assembly effective powers, and the small nations are not going to give the Security Council those effective powers, either. In the Security Council one nation can block the action of the others.

We must retain our perspective but we must also accept the challenge that the United Nations will not survive unless we give it the powers the United Nations needs, and that means nothing less than the power to protect life on this particular planet; the power to enact, enforce and interpret world law. This represents the challenge with respect to the United Nations.

As I say, Mr. Hammarskjold would like to have that authority but he does not now have that authority, hence Mr. Hammarskjold is not working full time in authority for the peace. Is there any man who is working full time on the problem of world peace? Well, what about the President of the United States? I believe that the President of the United States would like to be able to work full time for world peace but the fact is that the President, or the Prime Minister or Premier of France, the Prime Minister of Britain or India or Japan, operate inside the framework of rigid national sovereign ties where each is bound to do those things which, however useful they may be in terms of the specific needs of the specific nation, do not necessarily coincide with the larger needs of the human community as a whole.

Another thing I think we have to take into account is that it is entirely proper for the head of a national government to be concerned

with the national interests of his government. This is entirely proper. This is what he is elected to do or appointed to do, but I would speak now not only of the national interest, which I believe is good, but of something even greater, even more important. I would speak now of the human interest, at a time when there is really a serious question whether life, as we have known it, has demonstrated its qualifications and its competence to continue on this particular planet.

Let's just consider what has happened in the past 50 years. In the past 50 years we have been able to do more in terms of applied science than has been done in *all the years of human history combined* up to the beginning of the 20th century. And in no field have we made greater progress than in our ability to eliminate life. We have now devised a single explosive which is one thousand times more powerful than the bomb that exploded over Hiroshima, Japan, and took 230,000 lives. Not the 75,000 that was the original estimate, but 230,000 lives. What does it mean to have an explosive that is one thousand times more powerful than the bomb that destroyed Hiroshima, Japan, at the end of the past war? This, as I say, is somewhat beyond the reach of the mortal imagination. It may well be that the human mind secretes a fluid which covers it, coats it over, in order to protect it against the intrusion of painful ideas, and no idea is more painful today than the fact that human life has suddenly become extremely tentative, and that the fragility of human life is not respected or protected. This means that we have to ask ourselves a very real question, which is whether this planet can be made both safe and fit for human habitation.

We have, in the course of human history, had to consider many many questions, but never before has it been necessary to consider whether we are competent to preserve human life. This is the essential question before us. As I say, it begins with this question! Do we understand what it is, what it means to have a bomb that is one thousand times more powerful than the atomic bomb that exploded over Hiroshima, Japan? By way of comprehending this power, and I think that unless we comprehend the power we will never control it, I ask you to imagine every city in human history that has ever been bombed, from land or from the air. Think of every city in human history that has been bombed, in one way or another. London, Coventry, Manchester, Birmingham, Southampton, Madrid, Barcelona, Calais, Cherbourg, Milan, Turin, Amsterdam, Rotterdam, Berlin, Frankfurt, Hamburg, Munich, Essen, Aachen, Cologne, Darmstadt, Dusseldorf, Mannheim, Warsaw, Kiev, Pilsen, Moscow, Stalingrad, Leningrad, Shanghai, Can-

ton, Hankow, Chungking, Tientsin, Tokyo, Yokohama, Kobe, Nagoya, Nagasaki, Hiroshima.

This is just a partial list of the cities of man that have known bombing in our time. Now take the sum total of all the destructive force represented by all these bombings, add up all this destructive force, and it still does not come up to the amount of power that is now contained in *one* bomb that can be carried by *one* plane, or *one* missile. Now, not one but thousands of these bombs exist. The United States has thousands of these bombs, Russia has thousands of these bombs, Great Britain has a large number and very soon, as we understand, other countries will have their own atomic bombs. If it is difficult to comprehend this kind of power, let's think of it in a different way.

Let's think of a truck, a 20 ton truck, fully loaded with TNT. Now let us imagine a procession of *one million* trucks, each of which carries 20 tons of TNT. Let us imagine that the TNT from all these trucks is dumped in one place, until you have a mountain of TNT eight times the height of the Empire State Building. Now let us imagine that there is a giant detonation of one million truck loads of TNT, each of which has at least 40,000 pounds. If you can imagine the sum total of that destructive force, represented by such an explosion, you can imagine what that detonation would be like, you can visualize the amount of power that is now contained in one bomb. Only *one* bomb. When the next war occurs, these bombs will be used.

Those who now take refuge in the fact that man is too civilized to use these bombs, forget that man is not stockpiling these bombs just because he wants to have a convenient place to put them. Indeed, the foreign policies of the separate nations are now based on convincing the other side that they *will* use these bombs if war comes. Therefore, do not miscalculate what each says to the other. The United States has warned the Soviet Union that in the event of war we are prepared to use every single thing we have. The Soviet Union has warned the United States. This is what the next war will be. Let us face up to it and let us not assume that man is now too wise. The assumption that man, who is not wise enough to control these things in peace, will suddenly become sane at a moment of tempers, magnified tempers in war where everything goes, is not a reasonable assumption.

If we want a situation of sanity on earth, we have to create a situation of sanity on earth. Sanity will not occur by itself. We all have free will. The fact that we have come here today, the fact that you have created the organization that you have created represents

a combination of free will, understanding, assertion of human conscience and awareness of necessity, an awareness of opportunity. Anyone who says this is inevitable—it is fated—there is nothing to do except to have as good a time as we can in the two, five, ten, fifteen years before this inevitably happens—the position that a war is inevitable, that there is nothing that can be done by man to stop that which is now impending, is, it seems to me, a traitor to the human race and has very little understanding of the miracle that is in human free will.

We are all involved, it seems to me, in a magnificent experiment—also perhaps something of an adventure—an experiment and an adventure designed to test whether man with a free will, with intelligence, with conscience, with access to his own experience, with the ability to connect with other human beings, can control what he can create. This is in essence what the challenge is in our time. One naturally wonders what our chances are. One naturally ties the larger question to the headline in today's newspapers, in particular to the visit of Premier Khrushchev to the United States and the forthcoming visit of President Eisenhower to the Soviet Union. We naturally ask ourselves can we expect that this meeting between the two men can possibly lead to that which is necessary, a situation of safety and sanity on earth beginning with effective control.

In considering this question, it seems to me we have to keep something else in mind. If we take the position, the flat position, that nothing can happen—that these meetings are doomed to fail; if we are cynical about these meetings, then we help insure a negative result. The chance that the meeting between President Eisenhower and Premier Khrushchev can end in something constructive depends not only on what those men say but it depends on the constructive hopes of all people. This is the mandate that must now be created. If, for example, in the United States, we believe that the highest demonstration of American patriotism is to be rude and crude and boorish, if we take the position that we can think of nothing more constructive than to prove how mean we can be and how nasty we can be, then we will help to insure a negative result. If on the other hand we Americans and other peoples throughout the world take the position that we are acting in good faith, and we have expectations in good faith, and we are looking to the world's leaders to represent us in our legitimate hopes, and if we in good faith and also in good will create a mood in which constructive measures are possible, that

is our best chance for success of such meetings. Unfortunately, in the United States in recent days, some of my fellow citizens have felt obliged to show how unthinking and how unfeeling and how negative we can be. Unfortunately some of my fellow citizens in the past few days have demonstrated a bankruptcy of the moral imagination. Unfortunately some of us have tried to show the worst side of America—namely the back side as we did in Hollywood just the other day. I think that it was entirely appropriate for the Russian Premier to point out that the face of humanity was much more important than the backside of dancing girls, which is what he saw.

On the other hand, I think it important for the rest of the world to know that the overwhelming majority of the American people do not hold with these few Americans who have been so noisy, so brash, so unthinking, so unimaginative and so unfeeling. I ask you, fellow Citizens of the World, visitors from other countries speaking the language of cooperation, to accept it as a fact that the overwhelming majority of the American people are attempting to be true to their traditions, which is to expect the best and to create an atmosphere in which the best is possible. I ask you to believe that the overwhelming majority of the American people are behind President Eisenhower in his invitation, and not because they are soft on Communism. The President of the United States is not soft on Communism, the American people who support the President are not soft on Communism. The President has not forgotten Hungary, he has not forgotten Rumania, he has not forgotten Poland or Czechoslovakia. Nor have the American people who support the President. The President knows that our best chance of creating a situation of freedom in the world is by creating the conditions for peace in the world. The President knows, too, that the best chance that freedom has is for the creation of conditions of stability in the world, and this is what he is trying to work for.

The President, I believe, also feels that the Soviet Union today is in a position, or in an era, of transition. Anyone who has been in the Soviet Union in recent months who has not been there for several years can bear witness to some rather interesting and, I suspect, rather profound changes that are happening inside the Soviet Union itself. Mr. Evans, your Chairman, was in the Soviet Union this summer, and I was extremely interested to compare notes with him and to discover that his reaction was exactly the same as mine, which is that the impression that we have had at a distance about what is now happening in the Soviet Union does not square with the facts.

Before telling you about some of my impressions that bear on the larger question, which is whether the Soviet is sincerely interested in achieving the kind of understanding that can lead to peace, I would like to tell you, if I may, about the background of my visit. I had been attempting for about ten years to get a visa to go into the Soviet Union without success. Then, about 7 or 8 months ago, the State Department asked me if I would go to the Soviet Union under the terms of the Cultural Exchange programs worked out by both countries, and I reminded the official of the State Department who extended this invitation that I was probably *persona non grata* because of my activities in protesting the violence against Hungary, and also my position with respect to the Communist Party inside the United States. He said, "Actually we brought your name up and they accepted."

The next thing that happened was that a representative of the Soviet Embassy came to see me and told me that it was their hope that I would come to visit the Soviet Union and give several lectures about the United States, and I said: "I'd like to do so but I don't want to embarrass anyone after I arrive. I think you ought to know that I was Chairman of the Hungarian Protest Committee in 1957." And I mentioned some of my other activities. They said: "Yes, that's perfectly all right, we are aware of this, but we hope you will come."

Several weeks later I sent a letter to my host in the Soviet Union, telling this particular agency, which was the Soviet Committee for Friendship and Cultural Relations with other countries, of the three subjects that I should like to speak about. One subject had to do with the hope of many Americans for a world of peace under law, a world of justice, and about the need to strengthen the United Nations. The second talk that I wanted to give was concerned with the doctrine of natural rights, and American philosophy and American history, and how this doctrine is expressed in American history and government, the natural rights of man. The third talk that I wanted to give had to do with the reaction of American literary critics to the Pasternak case—why we feel as we do. I heard nothing from them for about two months after this letter was sent, then I wrote to them saying that if for any reason they felt that these subjects were unacceptable, I would be perfectly happy to withdraw and have them invite someone else. I received a cabled reply saying that my conditions were acceptable, and so I went. I gave the three talks.

I gave one talk on the subject of peace before the Praesidium of

the Soviet Peace Committee with representatives of various academies, of unions, and of government. I spoke about what I had seen behind the Iron Curtain, in Poland in particular. I spoke about the feelings of the Polish people in being occupied, and I asked them to believe that this was not propaganda, that I had seen it for myself. I spoke about the disservice to America that had been performed by the American Communist Party in the United States and why Americans felt as they did about the American Communist Party, the fact that it served a government five thousand miles away and this is why the American Communist party could not be effective here. I laid it on the line. And then I spoke about the fact that the American people were just as eager to have peace as they were, and were eager to work with them in having peace, but, so far as we were concerned, there were specific things that had to be done in order to achieve peace. I spoke of the need for a structured peace rather than just a peace proceeding out of agreement. A peace under law, a peace in which individuals were held responsible for the world crimes. I spoke about the need to end the age of anarchy and begin the age of man on earth. I was tremendously impressed with the kind of response that this got.

Incidentally, I discovered that it was possible to talk to the Russian people about the feelings of the Hungarian people and the Polish people, but where they really get upset is when you include the people of the Ukraine, Turkestan, of other parts of Russia, as captive peoples. This really bothers them. The Captive Nations resolution that was passed by Congress just before Vice President Nixon went to the Soviet Union, in fine type included peoples *inside* the Soviet Union as captive peoples. Of course they were outraged, as they had every right to be. As I say, they are prepared to have us speak bluntly about Hungary or Poland or Czechoslovakia but when we very foolishly, I think, talk to them about the Ukraine or about Georgia, they laugh at us. It's as if they said to us: "We will talk to you only when the Californians or the Texans get their freedom." Of course they may find some takers in Texas who would agree to that proposition. But seriously, we are not being realistic if we talk to the Russian people about the Russian people themselves as captives.

To the extent that American foreign policy or any part of it is based on the assumption that the Soviet people are just waiting for us to announce to them the moment to rise up and revolt against their leaders or their masters, that assumption is based on failure.

The Soviet people will not revolt; they like what they've got and that is the first fact of life that we have to accept. We are dealing with an accomplished fact.

As I say, I can be critical, as I have been, about Communism as a philosophy, or I can be critical about Communism and its practice in the Soviet Union, but I will deceive myself if I think that the Soviet people are just waiting for me or any other American, or anyone, to tell them that this is the time to revolt. They won't do it. They like what they've got. There has been profound change inside the Soviet Union, especially during the past three years. The individual Soviet citizen today knows greater prosperity than he ever has known in his history under any form of government. He certainly didn't have this kind of prosperity under Czarism. He didn't have it under Stalin. He knows that in the past 40 years since the Revolution, seventeen of those years were spent in war or in reconstruction from war; and now, for the first time, in the past three years he has begun to know what it is to have a little spending money. He now has the prospect of moving into a better apartment, even though a small one. He will have to live in a one room apartment with two children, perhaps, or his mother-in-law, but at least it's going to be a bright new apartment. At least it's going to have closet space, it's going to have a large foyer as you come in where you can have a combination foyer and dining room. It will have a large kitchen. He will have electrical equipment in that kitchen. He will have a dishwashing machine, a clothes washing machine, and perhaps even a dryer. He will have a television set. He also has a little spending money.

All you have to do is walk down Gorky Street into the stores, the art shops, the jewelry stores and you are amazed to see large numbers of Soviet citizens buying jewelry, paintings, art objects, luxury items. This is happening for the first time. He also believes that in about 5 to 7 years he is going to be able to own a motor car. He has some savings. I met a cleaning woman in a hotel in Tiflis who showed me a bank book with a balance of 30,000 rubles. Her husband works, she works, the son works, and they save. They are going to buy a motor car when it is available, they are going to get a better apartment as soon as it is available. They expect to get not only a better apartment but also, as the holder of a savings bank book, they can now participate in the national lotteries run by the government, and if the number on their savings bank book happens to turn up in the national lottery, if they win the grand prize, they will win an estate in the

country. Or they may win several hundred thousand rubles. They may win one of the smaller prizes, all the way down to a bicycle or a fountain pen.

The Russian people are now going to art museums, to concerts. They are reading books. They are beginning to think. It's a mistake for us to take the position that they have the feeling of enslavement. I do not think that the Soviet people are going to revolt, and I say this advisedly.

My impression that they were ready to revolt was the result of the things that I had read. But when I watched and observed in the Soviet Union the conditions under which the newspaper correspondents have to work, I realize that the impression I got was a natural one, because there is no question about the fact that the foreign correspondent in the Soviet Union lives and works under police state conditions. The foreign correspondent can travel just a few miles outside Moscow. He has to get permission, for example, if he wants to go from Moscow to Leningrad. He may have to wait a week or two before he gets word about whether he can go, by which time the event he wanted to report may have been terminated. Next, all his copy is censored. For example, the talk that I gave about peace was listened to by Soviet citizens, but the foreign correspondents, when they filed their stories about the talk, discovered that not one single line could get through. Later, I was told by a very high government official, how high I'm not privileged to tell, that some bureaucrat had blundered. In any event, the foreign correspondent works under almost impossible conditions. What he believes is reflected in what he writes.

The diplomat operates under similarly difficult conditions. He lives in a diplomatic ghetto. Very few of them speak the language. Next, the diplomat does not have freedom of travel. The diplomat feels that wherever he goes, he is being followed by a government agent, and I have no reason to believe that this may not be the case. In any event, both on the basis of diplomacy and the press, which reflect what they live in and what they see and what they know, we do get the impression in the outside world of a total police state. It is a police state; but so far as the average Soviet citizen is concerned, this does not bulk as large in his thinking as it does in ours. We have to remember that he came up under the Czars. We have to remember that he knew the totalitarianism of Stalin. Hence in the present liberalization, in the present program where for the first time he is getting

some economic benefits and concrete benefits, where for the first time he is beginning to have what he conceives to be access to the better things of life, the police state does not have the reality that it does have for the foreign correspondent or the diplomat.

Another principal fact of life that we have to take into account, in addition to the one that the Soviet people are not going to revolt, is that the Iron Curtain as a concept is being replaced by the Red Magnet. Far from trying to keep people out, a massive effort is now being put into the attempt to get people to come in, especially people from Asia and Africa. I watched the delegations as they arrived at the Moscow airport, which, incidentally, has the largest fleet of commercial jets in the world, and in one day came a delegation of scientists from Japan, a delegation of agronomists from Japan, a delegation from Communist Viet Nam, a delegation of educators from China, another delegation of educators from East Germany, a jazz band from West Germany, a Christian Dior fashion troupe from Paris, a jazz band from the United States. As I say, we have to get over this concept of the Iron Curtain and recognize that at present the strategy of the Soviet Union is to use a magnet instead of a curtain because the Soviets realize, if we do not, that war is mutual suicide. They have not given up their desire to win; they want to win, but they want to win in the only way that victory is possible—on a non-military battlefield. They are preparing for a non-military showdown as we are for a military showdown. This is the great problem that faces us.

Your chairman has said that we face the prospect of the greatest period on earth for man—or nothing at all. This is literally correct. If we are unequal to the task not only of making this planet safe for man but fit for man, then one of two things will happen. Either the planet will be blown up, or, if there is no war, there will be victory for Communism on a non-military battlefield. Not because Communism comes before the world peoples as a dictatorship, but because it comes before the world peoples with what Communism says is a great idea. They use the concept of human brotherhood. Let's recognize it. We were blind about Sputnik, we were blind about Russian education; let's recognize the fact that the aspect of human brotherhood figures very largely in the appeals of the Communists to the world's peoples. They come before the peoples of the undeveloped countries as a champion for liberation from outside rule, for emancipation in the fullest possible sense.

Peoples all over the world are not necessarily accepting this

argument just because the Communists are uttering the argument. We must not assume that the record of Communism in the Soviet Union itself, for the first 37 years at least, is totally overlooked or that the record of Hungary or Poland is totally overlooked. But at the same time let us recognize this: that where peoples are involved in a great upheaval and where they cannot do the job by themselves, when someone comes along and offers a hand, "Let us help you," there's always the temptation, the tendency, the inevitable tendency to reach out for that hand and say, "Help me up out of this ditch."

When you see a hand, you are not going to ask whether the hand or the fingernails are clean, or whether the shirt sleeve is red or white or blue. When that hand is there and you are in the ditch and it offers to pull you out, you can do nothing less than try. What do you have to lose? And this is where the majority of the world's peoples stand. Until now we, the people of the United States, have lived in splendid isolation. Yes, we've had aid programs which have been imaginative and which have been magnificent, but I don't think we have quite caught on to the fact that seven out of ten men on this earth will go to bed hungry tonight. I don't think we've quite caught onto the fact that men everywhere are struggling to make this earth a good earth. I don't think we've quite caught on to the possibilities of cooperation and good will, and that is why I say you've got a big idea.

I would hope that the idea you represent, the idea that brings you here, is the kind of idea that is represented by a man who will shortly be 85 years old, working in a hospital in French Africa, Albert Schweitzer—the idea of connection between human beings, the idea of cooperation, the idea of good faith and good will, the idea that the world can be governed, the idea that there is no problem in the world that is beyond human capacity. War is an invention of the human mind. The human mind can invent peace. We don't have much time.

I repeat: so far as the Soviet Union is concerned, I think that great changes have taken place inside the Soviet Union. These changes are useful, these changes are promising. On the other hand, if we react negatively to everything that comes from the Soviet Union, we will only insure a negative result. No one knows how positive the result can be, but we do know that so far as the Soviet Union is concerned, they would welcome, right now they *have* to welcome, a chance to have competition on a non-military battlefield. We should

welcome this equally. There can be no victory in a military showdown. But once we accept the challenge, let's really roll up our sleeves and go to work. Let's go to work on the basis, first, of ideas, because the important thing is not, it seems to me, whether the Soviet Union has ICBM's and we have colored television (and I remember that remark being made one night as I watched a certain famous exchange in Moscow where one man said, "Well you have the intercontinental ballistic missile, but we have colored television," as though we were dealing with equivalents.)

But the important thing is not so much what they have or what we have, the important thing is that we are both human beings. The important thing is that there is a language of meaningful survival that must now be spoken. The important thing is that we must now define the basis for the most effective, the most magnificent competition the world has ever known. We have nothing to fear from this competition. We have only something to fear, it seems to me, if we do not respect human life, if we do not understand the fragility of human life, if we don't comprehend the power that resides in good will and the belief that something important can be done. We need fear only if we do not have respect for our own potential in making a better world than we now have. We must raise the United Nations to the status that it must occupy, with effective powers of law, representing the human community, dispensing justice. If we believe this is possible, that belief by itself will translate itself into action.

Now we know insurance. The time has now come to provide the kind of insurance we really need most of all, the kind of insurance we do not now have, the kind of insurance for an event which may be actually a 50-50 proposition—because I believe it is a 50-50 proposition whether there will be peace, and whether there will be human beings. Now on this particular danger, what insurance is there? It seems to me that we have a challenge, therefore, to talk about insurance of the human race and not just of an individual.

How do we go about insuring the human race? We do it by creating the kind of climate in the world in which a mandate is created. Whether anything comes out of summit meetings that may be held in the months to come depends not only on what President Eisenhower and Mr. Khrushchev say but on what we want. We have, therefore, the clear duty to make it known that we will settle for nothing less than a planet safe and fit for man.

WEDNESDAY, SEPTEMBER 23

Chairman of the Day was F. F. Rondeau, U.S.A. With Howard Hutchinson, U.S.A., as panel moderator, four papers were read on "Sharing New Ideas for a New Era in Insurance Operations." First was by Ernest H. Klepetar, U.S.A., on "Product," second by Dean Jeffers, U.S.A., on "Distribution," third by Dr. Earl Strong, U.S.A., on "Modernizing Office Operations," and fourth by Dr. M. J. Jucius, U.S.A., on "Administration and Operations, Modern Management." The papers:

The Product

ERNEST H. KLEPETAR
Vice President, Chief Actuary
Mutual Service Insurance Companies

THE topic assigned to this panel is most provocative. Not only does it say a great deal in itself, but it implies even more. Let us examine this title for a moment or two.

What do we mean by a "new era" in insurance operations? How does it differ from previous eras we have experienced?

I think it is obvious that this new era we are speaking of encompasses for more than traditional insurance operations. Who would have thought but a few years ago that we would insure the fall-out hazard of a cooperative atomic power plant? Our new era runs the gamut of society—including economics, cultural patterns, social mores, science and politics, to name a few. I think, too, that we can agree we already have entered this "new era", and we will see it develop even more rapidly than we had anticipated.

We could devote a great deal of time to discussion of these various and interesting elements of this "new era", but for the purposes of this discussion I'd like to touch on only a few facets particularly related to insurance. These are, of course, economic and population trends.

For example, we can expect the population of the United States to grow by more than thirty million during the next ten years—to a total of 208 million people by 1969.

During the same period, American economists predict there will be a \$1,300 rise in individual family income.

Another prediction: A rise of 126% in consumer credit, to a total of 96 billion dollars!

Estimates of our vastly increased gross national product for 1969 vary between 670 billion dollars and 740 billion dollars. Either one of these figures stands in considerable contrast to our current GNP of 475 billion dollars.

With this greatly expanded GNP, economists predict a 90 per cent rise in discretionary spending power—to total 267 billion dollars by 1969.

Evidence is already quite ample of the increasing pressure on the consumer to spend this growing purchasing power on a tremendous array of glittering products designed to meet real or imagined needs. Evidence is also at hand to indicate that an increasing number of these needs are of the latter category.

Insurance is in competition for some of these dollars. Judging by statistics over the past decade or two, it already appears clear that not enough of these dollars will be so spent.

Thus, we see the “new era” is one of almost literal “explosion” in economic and population growth.

The sharing of new ideas for this new era seems absolutely essential to me. The challenges which face us are so great that we can only succeed in meeting them through cooperative sharing of new ideas.

The topic assigned to me is to discuss *Product* in the light of this “new era” in insurance operations. It seems most appropriate to first define what product means. The product in our case is the insurance cover which by its nature is essentially a service—and at that an intangible service which becomes tangible only if and when a loss occurs. The traditional definition of insurance is important to have in mind during this discussion since we will want to refer to it from time to time. Basically, the insurance product is a method of substituting a small known expenditure called the premium for a large unknown loss which the individual cannot cover with his own economic resources without suffering severe hardship. To this theoretical consideration, of course, must be added the requirement that the cost of providing such a service be economically feasible to the insured.

On this foundation and on the principle of mutual self-help, institutions of great substance and great economic power have been established. To the extent that the principle of mutual self-help plays an important role in the operation of these companies, their social

significance parallels that of the cooperative movement. Not all insurers, however, have remained on this course.

For this reason we, as cooperative insurance companies, especially feel it is imperative to impose additional limitations on the definition of the product that we provide in order to maintain a high level of social significance in the insurance product.

Among these lists of additional requirements, there are many which each of our cooperative insurance organizations will want to determine for itself as a matter of policy. But there is one—a most fundamental one—upon which we all should agree: The insurance product we provide must cover an existing legitimate need. This goes beyond the basic requirement that the coverage be for a risk which is too great for the individual to bear out of his own economic resources. It also demands that, in the designing of a product, we do not make the mistake of creating a need in order to sell that product.

In his widely discussed book, "The Affluent Society," John Kenneth Galbraith says, "We cannot defend production as satisfying wants if that production creates the wants."

We as cooperative insurance organizations have the obligation to distinguish ourselves from others by not creating the wants we seek to satisfy. There is, indeed, such a wide range of real needs, and such a broad area to which real insurance service should be extended, that we cannot afford to spend our resources in any direction other than the satisfying of these legitimate unfilled needs. If we are to follow accepted cooperative principles in our insurance operations during the "new era", we must compete for the consumer's dollar by meeting real needs rather than contrived needs. And, in meeting these needs we must, of course, do so efficiently and at reasonable prices.

Another important characteristic of a truly cooperative organization upon which we undoubtedly can agree is that it must have an honest and real concern for the general well being of the community and not confine its good intentions to only those to whom insurance cover traditionally has been available. I am particularly thinking of those whom our underwriters still classify as "uninsurables."

Insurance, and especially life insurance, is an excellent mechanism for extending economic well being. Besides the obvious job of extending the earning power of income earners, life insurance serves as a check on inflation by diverting funds from today's luxuries to tomorrow's necessities.

The dread disease policy, including the polio policy, is a product

which does not measure up to the standards we have set for ourselves. While it does cover an existing need, it does so only partially and inadequately. The method of distribution connected with this product also is such that the cost becomes uneconomical to the insured. The appeal of these covers is more emotional than it is rational and its sale often provides a false sense of security in the mind of the insured. The consequence is that he fails to cover his entire health hazard adequately.

The conventional form of hospital-surgical insurance in the United States, whether written on a group or individual basis, is another example. Though the range of risks which it covers is broad and based on a legitimate existing need, it fails to extend coverage to high enough limits, so that the financially crippling effects of long illnesses have to be borne by the insured. This is clearly an economic risk which is too severe for the individual to bear alone. On the other hand, this conventional coverage wastes the energy and resources of insurance companies on the first dollar of coverage, which is without doubt an area of risk which can be borne far more economically by the insured himself. It is encouraging to see that the insurance industry in this country is now actively at work developing and perfecting the major medical type of coverage as a replacement for the conventional first-dollar product. The major medical coverage, however, is slow in gaining the public acceptance it needs to be successful, and we must continually press for that public acceptance.

Unfortunately, the efforts of the insurance industry to improve the product is not uniform in all lines. In fact, there are new products coming on the market in the United States which by no means live up to the principles we have already discussed. This is best evidenced in recent years by the introduction of the Family Life Policy which has now flooded the American market.

This product was introduced by the second largest life insurance company in the U.S.A. with a blast of television, newspaper and magazine advertisements as the beginning of a "new era" in life insurance. This family life policy provides a modest amount of insurance on the life of the husband, even a more modest amount on the life of the wife, and automatically covers all children in the family, including those who will be born later, at a flat rate regardless of the number of children.

The coverage on the life of the father is certainly a legitimate product. The cover for the wife is far less important since in the

event of her death the breadwinner's earning power continues. The wife's cover can be justified only if and when the insurance needs on the life of the father have been fully satisfied. As to the coverage on the children, there is no economic loss to the family in the event of a child's death other than the cost of burial. Everything that has been said about the mother's cover applies more so to the children.

The worst aspect of this policy is that it is presented to, and generally accepted by, the insured as providing him with one insurance policy which covers all his life insurance needs, such as a patent medicine that cures all diseases. The fact is, however, that it does not cover the father adequately. It diverts premium which should be used to provide the sorely needed coverage on the breadwinner to these secondary and even tertiary areas. The only favorable aspect of this product is that through this method of merchandising, the life insurance coverage on the lives of the children is provided at a very low rate.

This case is a typical example of how an insurance need can be created solely for the purpose of selling a product. The intensive advertising campaign produced such a popular demand that the largest company in the United States decided to also enter the field and thereupon promptly initiated an intensive advertising campaign of its own. When this happened, it was necessary for the rest of the insurance industry in this country, including the cooperative insurance companies, to make this product available out of self defense. This artificially created popularity reached such a high pitch that any life insurance company not marketing this product was seriously threatened.

This is exactly the opposite situation from that which we, as cooperative insurance firms wish to bring about in this "new era." We in the cooperative insurance field, therefore, have a long way to go to fulfill the mission which we have set for ourselves.

Developments which have taken place, however, have not all been in this negative direction. There are some brighter spots—some places where the insurance industry has made real strides in the improvement of insurance coverages and in the development of new ones. In several of these instances the cooperative insurance companies in the U.S.A. have played a leadership role.

An outstanding example is in the automobile insurance field. About 1955, after several years of debate, the American insurance industry moved to a new broader form of automobile liability insur-

ance known as the Family Automobile Policy. This transition was from the previous form of insuring the described automobile to the insuring of the liability risk of the entire family, whether using the described automobile or driving any other car. The new form does away with the necessity of relying on someone else's insurance policy, if any, while driving a non-owned car. It also provides the complete range of liability protection for which the head of the household is responsible. In this case the approach of packaging the entire family need into one policy satisfies an existing need. It does not rely on the creation of a need, as in the case of the family life insurance policy.

Another example of a real product, by our standards, is the so-called "Homeowners Policy." This includes, in a single package, protection against all perils connected with the ownership of a home. These policies provide, in addition to the usual fire and extended coverage forms, broad liability coverage for the personal acts of members of the household as well as coverage against theft of personal possessions. The development of this form led to the development of a similar form available to persons who are tenants rather than homeowners, providing them with the same broad coverage features, except, of course, those applicable to physical loss to the building itself.

Superior as these package forms are to the multiplicity of individual policies formerly required, they represent but a step in the direction of a plan to consolidate the entire insurance needs of a family into a single premium-payment scheme.

Mutual Service has recently developed and put into effect what we call our "Family Insurance Budget Plan" which accomplishes just this purpose of combining together, for premium payment purposes, all of our products. Being a multiple-line organization, this effectively means that the individual, whether he be a homcowner or a tenant, can satisfy his entire range of insurance needs through his own cooperative insurance company, through a single agent, by means of a single monthly payment.

Having defined the kind of products we, as cooperative insurance companies, wish to distribute, I would like to turn to the discussion of the more difficult task of creating such products. In the creation of a new insurance product the most important part is played by the research which must precede the actual development of the product. Product research, I believe, is required in three fundamental areas:

First, research to discover the needs which exist and which the product must be designed to satisfy.

Second, research into the basis for assessing the cost of the product equitably among the various classes of risk to which the product will be sold.

And third, research into the possibilities of extending the availability of the product to classes of risk which traditionally have been regarded as unacceptable.

Because I am most familiar with what we are doing at Mutual Service, I shall use that as my principal illustration. This is certainly not meant to imply that other cooperative insurance firms do not apply these principles. In fact, Group Health Mutual, for example has developed many new and useful products in its own field and undoubtedly has conducted appropriate research before marketing them. And we know, of course, that Nationwide Insurance Companies have a top-level division solely dedicated to research. Later during this meeting there will be opportunity for these organizations to tell what they are doing.

Inquiry into basic needs is a costly type of research since it involves the study of a large body of people with whom direct contact must be made. A staff of qualified personnel is required to properly analyze the resulting information. Our present stage of development at Mutual Service does not yet permit a permanent staff for this purpose. We are still in the planning stage on this, but we will be prepared to act when our level of development permits a full-fledged research function.

In the meantime, we are not idle. We gather information through contacts with our field personnel, through personal interviews and group meetings on an informal basis. Records are kept and we carefully analyze the information so gathered to use it as a guide in the improvement of existing products and the development of new ones.

We are also mindful of the reaction of our several hundred thousand policyowners to claim settlements and to other contacts with our home office staff. We find that our claim experience statistics are useful in the indirect judgment of the value of an existing product. From this source we can sometimes determine that a product is permitting or encouraging claims whose value to the policyowner is less than the nuisance value to the company. When large numbers of small claims present a situation where the cost of claim administration is disproportionate to the benefit, we have found the introduction of deductibles at a premium saving to be a useful method of encouraging policyowners to serve their own interests better.

Research into the basis for assessing the cost of a product among the policyowners includes the area of administrative expense costs as well as that of loss costs. The analysis of the administrative costs falls more properly into the area of other panel members from whom you will hear later. My remarks will be confined to research in the area of loss costs.

Research into loss costs and research into the possibility of extending the product to additional classes of risks, are areas in which we at Mutual Service are at present actively engaged. Among others, we are now conducting two major basic research studies. The first of these deals with automobile insurance and falls within the research field of equitably assessing the cost of the product among policyowner groups.

We have joined hands with the University of Minnesota on this under the guidance of Dr. R. G. Francis, a Professor in the Department of Sociology. We are now working on a pilot study leading to a thorough investigation of the sociological causes of automobile accidents.

It is, to begin with, a retrospective study in which the characteristics of claimants are recorded, with a view to analyzing similarities within the group. A further step will be to endeavor to compare the claimants with a control group who have no accidents in the same period to uncover sociological differences, if any.

Finally, in a third stage of the study, a control group of persons of sociological characteristics similar to the claimant's will be observed prospectively over a period of time to discover the predictive value of sociological criteria.

If the results of the research are favorable, they can make a substantial contribution to the rating of automobile liability insurance. If the results do not establish valid criteria, this study will at least serve to eliminate from the broad field of investigation an important area as not affecting this rating problem.

For sometime we have conducted basic research in the field of life insurance underwriting. Where the data developed from our own experience was statistically insignificant, we have invited other insurance companies to participate in order to hasten the results. This research has been conducted in cooperation with the School of Public Health of the University of Minnesota, particularly with the Division of Physiological Hygiene, under the direction of Dr. Ancel Keys, Professor of Physiology and world-renowned scientist. Our Medical

Director, Dr. Henry Blackburn, and personnel of our Actuarial Division participate in this work.

Most recently we have led out in the study of the significance of the blood cholesterol level as an indicator of the subsequent development of coronary heart disease. The primary cause of premature death in many populations, including that of the U.S.A., is degenerative heart disease, very largely based on coronary atherosclerosis. This single cause is responsible for more than one-half of all death claims. While it is still impossible to diagnose atherosclerosis in life and before serious clinical signs are evident, it now appears from the basic research up to this point, that the tendency to develop atherosclerosis is reflected in considerable measure by the concentration of cholesterol in the blood.

The recognition of differences in degrees of risk of death from this cause among life insurance applicants should be of great importance in the selection and classification of applicants.

At the present stage of this research in the United States, one of the major life insurance companies has joined with Mutual Service to contribute to the study of dried samples of blood from applicants for life insurance. This is done by means of a simple finger prick technique recently developed by Dr. Keys and his associates. The cost of maintaining a special laboratory to analyze the dried blood samples is borne by Mutual Service and the other insurance company cooperating with us.

We will also follow up the records on the mortality and morbidity of these applicants. The study will be of at least five year duration and should provide the data necessary to determine the value of this technique in predicting future susceptibility to coronary heart disease.

It is expected that this study will lead to a more equitable assessment of life insurance costs and open the way to make life insurance available to persons who are now considered uninsurable.

Besides this practical aspect of the study, it may well have great social significance. The life insurance industry is justly proud of the public service rendered by the medical examination in connection with the issuance of life insurance policies. We all know that many an ailment has been uncovered which heretofore was unknown to the applicant, and many a life has been saved and suffering reduced even in those cases where a policy could not be issued. Now if this examination would routinely include a blood serum cholesterol examination, after the successful completion of the current study, a large number

of persons could be made aware of their inclination towards the development of coronary heart disease. This would not only lead to early diagnosis, but would play a significant part in the eventual conquest of this disease which until recently has been considered as an unavoidable manifestation of aging.

Those of us concerned with this research have recently come to believe that the mode of life plays an important part in the development of heart disease. This in turn has led us at Mutual Service to the thought that the significance of the study could be enhanced by the participation of Cooperative Insurance Companies in other lands where the population's mode of life differs from ours. Mr. Rondeau, in line with this reasoning, has invited European Cooperative Insurance Companies to contribute to and become part of our current study.

Product research, then, is not only worthwhile to the cooperative insurance industry but provides us with a unique opportunity to contribute to and share in a very worthwhile social effort which is in line with basic characteristics of the cooperative movement. Life Underwriting studies, particularly, give us the further opportunity to provide the medical profession with new diagnostic tools with which to carry out its time-honored mission to serve the health of mankind.

The foregoing is merely an illustration of what one relatively small cooperative insurance company is actually doing. It obviously is not sufficient. It is self-evident that if several of the cooperative insurance companies would band together to jointly conduct research into basic questions much as nations have banded together in the geophysical year, we could accomplish so much more for the benefit of our membership. I am thinking here of the kind of fundamental research, such as illustrated in the cholesterol study, and not the inquiry into the type of questions which are so intimately related to the regional peculiarities and matters of policy of a specific organization.

I am hopefully looking forward to the day when cooperative insurance companies might establish a joint research function for the inquiry into really fundamental questions. The accomplishments could be considerable, indeed. In this way, I think we could build another bridge between cooperative insurance companies, much as has been done in the field of reinsurance. The establishment of a central research service would offer many advantages. There would be greater freedom for the researcher. There would be different disciplines working together to stimulate ideas. It would give the investigators inde-

pendence from limitations and policies of a single organization. But most important, such a cooperative research center would concern itself with inquiries into really important matters as we think of them. In this respect, we would favorably distinguish ourselves from those who developed the Life Family Policy.

With fundamental research ultimately conducted on a joint basis, our cooperative insurance companies could better fulfill our obligations to the people we serve and, at the same time, maintain an effective position of leadership in the insurance industry. This then, gentlemen, is one challenge of the "new era" in insurance operations!

Distribution of Insurance

DEAN W. JEFFERS

Vice President-Sales, Nationwide Insurance

IF there is one word used more than any other these days in the insurance industry, it must be the adjective "new." New kinds of insurance. New policies for old kinds. Old policies in new packages. New ways to pay for insurance. New ways to sell insurance. New *places* to sell insurance. New ways to settle claims. New ways to be friends with your policyholders. And so on.

Oddly enough, it was that way when Nationwide entered the insurance business more than 30 years ago. It's that way today. I believe I'm pretty safe in saying that that's the way it will be 30 years from today.

The distributive phase of insurance is certainly no exception to the general rule that, like that well-known girl named Alice, you have to keep moving pretty fast just to stay in the same place. At Nationwide we decided about a year ago that we would have to move even faster than we were in the development of new ways to sell insurance. So we invested considerable manpower and budget in an all-out study of distribution methods. We looked into current and long-term trends in marketing techniques of businesses other than insurance. Direct mail, vending machines, packaging, over-the-counter in shopping centers and department stores, and intensive use of advertising. We looked into the changing and broadening role of the agent, from the old concept of just a salesman to the new one of, say, estate planner or financial counsellor. We looked into changes in the way Mr. and

Mrs. Policyholder are living, their increasing tendency to move from place to place, and their trek to the suburbs. We looked into possible new insurance markets that might have been overlooked.

In other words, we took a good, hard, long look at insurance distribution to see how we could best adapt it to what is and what will be as far as our country's ever-changing social and economic pattern of life is concerned.

We are just completing this ambitious distribution study. The conclusions are still jelling. So, I am not in as good a position to tell you the findings as I would like to be. I believe those I can share will become more meaningful to you, however, if I back up first and give you some Nationwide distribution history.

In 1926, Nationwide (then known as the Farm Bureau Mutual Automobile Insurance Company) was begun under the wing of the Ohio Farm Bureau Federation as another service for Ohio farmers. Although their accident records were much better, Ohio farmers had been paying for their auto insurance at the same rate as city people. So, with \$10,000 borrowed from the Farm Bureau Federation, they set up their own company and, as it turned out, they got their insurance at rates up to 40 per cent less than they had been paying.

In the beginning, we were of course new at the insurance game, but that meant we had a fresh viewpoint. And by design or necessity, or both, we happened upon a number of innovations in distribution which were destined to make insurance history.

In order to accommodate our farmer members, we issued policies on a six-months, automatically renewable basis, eliminating the annual premium and the writing of a new policy every year. This innovation won many friends and influenced a lot of people to join Nationwide as policyholders.

Secondly, we broke with the so-called American agency system which, in casualty insurance, means that the agent, who may represent a number of different companies, handles the billings and owns the renewals. In other words he owns the expiration rights, which means he has the opportunity to renew the policyholder's business, either in the same company or some other.

In contrast, we entered into agreements with our agents as independent contractors, who represented us exclusively. Furthermore, we dealt with the policyholder directly, becoming what is known as a "direct writer." Direct writing companies are writing a steadily increasing share of all casualty and fire insurance in the United States.

A third innovation in the distribution pattern was the use of sponsors. In most of our operating states we entered into a sponsor relationship with some people's organization which would open doors for our insurance in return for payment by us of sponsorship fees. In Ohio, for example, it was—and is—the Ohio Farm Bureau Federation; in North and South Carolina, the Farmers Cooperative Exchange; in and around Washington and the District of Columbia, the Potomac Cooperative Federation; in New Jersey, the state Credit Union League.

This sponsor relationship, by the way, plays a very important part in our overall Nationwide government. Traditionally, our sponsors recommend candidates for election to the boards of directors of our Nationwide companies. Thus, our directors come to us equipped with a wealth of cooperative experience and training.

A fourth innovation was our multiple-line operation. As our auto company grew and expanded geographically, it also opened its rolls to serve city people as well as farmers. (Today, most of our policyholders are from urban areas.) Almost inevitably, fire and life and other kinds of insurance were added. So, nearly 25 years ago we were pioneering with a multiple line operation in which our agents handled all the lines of insurance which our companies offered. With most companies, this was considered at the time to be almost unthinkable and sure to fail.

Fifth, since our agents had greater opportunities for increased production and greater *total* commission income—because of the multiple line operation and the lower rates—we were able to set up commission schedules significantly lower than those of most other companies. This also enabled us to get more insurance to more people at lower cost.

In addition, we became known as a cooperatively-oriented organization acting in the public interest, not primarily trying to make a quick dollar. This helped speed us on our way to becoming one of the largest auto insurers in the country, one of only a few life companies able to acquire a billion dollars of insurance in force in less than 25 years, and one of the leading fire companies of the country.

As of today here is what our distribution pattern looks like. We have 5,000 agents, of whom 3,000, or 60 per cent, are what we call career agents, those who are actually engaged in selling and servicing Nationwide Insurance as their principal occupation. The proportionate number of career agents has been steadily increasing. Five years ago, they were only 40 per cent of the total.

We have two forms of agents' agreements. One is a master agreement, the other a standard. Agents who qualify for the master agreement obtain a higher auto renewal service fee, and higher original compensation on life and accident and sickness, and an extended earnings (or termination pay) schedule. About 41 per cent of our agents are under the master agreement.

About one-third of our agents have offices outside their homes. Several of our agents, sensing a new consumer trend, have set up "drive-in" facilities, so that a policyholder, present or future, may transact his insurance business without the inconvenience of traffic or parking problems.

The distribution unit in our agency system is the sales district, of which there are 315 in 19 states, averaging about 12 agents per district. Eleven districts make up an average sales region, and at present there are 29 sales regions. The size of districts and sales regions varies, depending upon the population, area, topography, insurance potential and the length of time we have served the area.

We periodically analyze our market and manpower requirements and set up both annual and five-year manpower objectives.

Our agents distribute more than 110 different coverages and lines of insurance including merit-rated automobile insurance, the premium for which goes up or down with the insured's accident record. Many of you are well acquainted with this principle, but it is a new development in the United States. In addition more than half of our agents are now licensed to sell shares of a mutual fund called Mutual Income Foundation. We believe that investment in a mutual fund such as MIF provides an excellent supplement to life insurance in planning a lifetime financial program. MIF funds are invested in common stocks, which means that a policyholder's fixed life insurance dollars will be supplemented by variable mutual fund dollars. This provides a balanced risk; in case of deflation, the policyholder is protected by fixed dollars, in case of inflation, the policyholder is protected by the variable dollars.

In some parts of our territory, agents also are equipped to offer such services as mortgage loans, auto loans and other forms of credit. As you can see, ours is truly an all-lines operation. And while it doesn't quite work out this way, and I mention it only to further impress you with how "all-lines" you can get, it is conceivable that one of our agents, using only the Nationwide facilities that he has helped to create, could sell a policyholder a home that we built, from materials

that we manufactured, located in a community that we planned and developed, finance it through either our bank or mortgage company, and completely insure all properties and persons involved.

A Nationwide agent, in addition to selling and servicing, also acts as the first line of underwriting selection. He is, normally, the only company representative to contact the prospect or policyholder directly and personally. He determines the desirability of the risk morally and physically.

The agent also field-issues auto, fire, homeowners, polio and travel accident policies, helps handle claims, and provides other policyholder services.

The agent looks to the district sales manager for leadership and guidance. The DSM is held responsible for the selection, training and motivation of each agent. Two-way communication with other company personnel channels through the DSM, who reports to the regional sales manager and the regional sales superintendent. The line of sales responsibility extends upward, then, to the regional manager and to the Office of Sales in the Office of Insurance Operations.

So much for our current distribution pattern. What about the future?

Perhaps the most practicable method of determining the effectiveness of different types of insurance distribution is through experimentation, and we have been doing quite a bit of it.

One experiment was with over-the-counter sales of insurance in a department store. Although this test was conducted under adverse conditions—inadequate promotion by the store, makeshift counters and boycott tactics aimed at the store by the association of competing agents—results were satisfactory to regional management, underwriters, and agents. Mindful of the success of the Allstate company in distributing insurance through the Sears retail stores, we are considering further experimentation along this line.

Another experiment is under way in one of the states with a group auto insurance plan. Restrictions imposed by the state's insurance department have prevented us from carrying out this test completely as yet, but we have found some interesting possibilities in directing our sales efforts to groups of people rather than individuals. With no agency organization, we have been operating a sort of "do it yourself" plan by appealing to people having a common tie, such as members of associations or labor unions and people having common employers. We hope to be able to simplify the processes of underwriting, services

and claims. Incidentally, we have a higher percentage of penetration in this state than in other new territory we've entered recently.

Coming up soon is an experiment in another state we are planning to enter this fall. Previously, in entering new territory, we have emphasized the auto insurance lines. Now, however, auto insurance is virtually compulsory and untapped blocks of auto business are almost non-existent. It is becoming more difficult to obtain adequate rate increases, and underwriting gain margins are narrowing. Many companies are acting to reduce acquisition costs, particularly agents' commissions. In this situation, we are planning to increase the emphasis on sale and development of personal insurance lines—life and accident and sickness—and of mutual fund shares as a supplement to life insurance. To achieve this emphasis, we plan to reduce the agent's work load with respect to auto insurance by, for example, eliminating field issuance of policies, by putting commissions on a fixed fee basis and by making sale of personal lines more attractive, commission-wise.

However these various experiments come out, we're definitely of the opinion that revolutionary changes in the field of insurance distribution are in the offing. Time-honored techniques hang in the balance. We've grown at Nationwide because, reflecting the cooperative character of our organization, we dared to be different. As other companies imitated our methods and practices we've had to keep looking for and finding new ways to improve our distribution system, to find out what parts are effective, to be willing to discard those which are not effective, and to find new roads to sales leadership. So we've stressed the importance of research in our set-up. When we launched our intensive study of distribution last November, our research unit led the way. We set out to determine the implications of the changing socio-economic patterns in this country on people's security and insurance needs, on their buying habits and attitudes. Our findings are likely to influence our total company direction for the next five or ten years.

Coming through very clearly as a result of the distribution study are two outstanding facts: (1) Convenience is playing an increasingly important part in purchase of insurance as well as of many other services and commodities, and (2) the family is re-emerging as a dominant social and economic unit, and hence as a prime marketing unit.

Today's insurance buyer is looking for convenience in the way the product he buys is put together, *where* it can be bought, *how* it can be bought and paid for, and *how* it can be adjusted to meet the changing needs of the life cycle.

One thing this means is that a company which always has been operating in the people's interest certainly should be in a better position than any other kind of company to satisfy this desire for consumer convenience.

Nationwide, for example, pioneered in multiple-line distribution. More and more people today want to buy all their insurance needs from the same person in the same place at the same time—and if possible all in one package. Nationwide's multiple-line operation, therefore, is becoming an all-lines operation.

Formerly, some doubt existed that one agent could adequately handle many different lines; at Nationwide, I believe we've proved that he can. The industry is swinging around to this point of view as evidenced by the fact that today more than one-hundred insurance organizations in the United States are writing multiple lines and generating at least 20 percent of the total premium in life, casualty and fire insurance. A significant number of the largest and most prominent fire and casualty companies have entered the life field. The trend toward compulsory auto insurance and the many operating problems inherent in it may exert even greater pressure for automobile insurance carriers to stabilize their operating results with all-lines production.

Re-emergence of the family as a prime marketing unit has been triggered by the increasingly rapid shifts of population in the United States. The average American changes the location of his home every five years. Vance Packard tells in his book, "The Status Seekers", about one corporation executive who moved his family 16 times while going up the ladder. Americans always have been great movers and migrators, but the significant thing today is that this migration consists no longer of one young man, for instance, going west; now the whole family goes along, whether it's just to suburbia or from one coast to another. The fact that the family is staying together, physically, means that it is also tending to stay together, economically. Purchases are not made for individual living, they're made for family living. And right here is where the distribution of insurance is affected. This is why our insurance product and the way the product is packaged, presented and serviced need to be tailored for the family, not just for the individual.

Let me conclude, then, by repeating that all the signs indicate we are on the verge of revolutionary changes in the insurance distribution system. Far from fearing those changes, let us welcome them.

As insurance companies owned and controlled cooperatively by the people whom we serve as policyholders, we should be several jumps ahead of the rest of the industry in becoming aware of people's changing needs. Mr. Lincoln, our president, keeps reminding us that people keep moving, whether institutions do or not. Let us see to it that these cooperative institutions of ours keep moving right along with the people.

Modernizing Office Operations

EARL STRONG

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IT IS INDEED a pleasure to have this opportunity to appear before you and discuss the topic that has been assigned to me. I should review the fact that this is modern office management, and I suppose it is only fair that we start out first by recognizing that modern office management ties in very specifically with the cost problem. I think it is fair also to say that in this country we recognize that we are 25 to 30 years behind industrial knowledge in the field of worker productivity. In other words, the office has not kept pace with other types of productivity in this country. I have found the same thing to be true in some of your countries, however, in Europe and in England, so we are desperately grasping, it seems to me, at straws, to try to catch up, to try to get into our office operations the know-how that we have had for many years in our production and industrial activities, where actually management activities had their start in this country.

In this grasping at straws, the major reason for giving it so much attention in the last four, five or ten years in this country has, of course, been the cost problem. Business and industry have suddenly realized that costs have gone up out of proportion to costs in other parts of the business and, consequently, they have had to say "we must do something." So we find it very popular now in this country to hold clinics, conferences, meetings on how we can be brought up to date overnight, as it were, in this very important field. In the midst of this grasping, of course, has been the introduction of the area known as automation. Automation was immediately jumped upon as a possible answer to all of the problems in the office field, and if I were representing a company that manufactured this equipment, I might well tell you that

it is the answer to all of your problems. Since I am not a salesman of such an organization, then I will have to deal with realities and probably tell you that it has not, in this country, been the answer to all of our problems. It has been the answer to some of them to be sure, but it certainly has not answered all of them, and I think it would be fair to say that the exaggerated expectations from automation in recent years has led to hasty and heavy investments and subsequent disillusionment in many cases.

Automation raises many problems in the office. First it has to be defined and worked out and applied. Electronic data processing for example has been sometimes used before introducing it through the integrated data processing methods. I think the main barrier to rapid automation is, of course, the high cost of equipment and the changes that have to come about, not only in procedures, but actually in organization. I think another obstacle is the resistance of the workers and, of course, of our labor unions, to this sort of thing. It causes a great deal of distrust on the part of the unions, fearing that technological unemployment may result. I think the high cost of automation necessitates continuous operation to make it pay. Many companies introduced data processing equipment but they were not large enough to keep the equipment running full time and so found it to be extremely costly for the operations where they were using them.

In looking at the healthier side of this picture, I feel that there is a place for electronic equipment in many organizations, particularly in the insurance field where we find many large companies where the production actually is paper work. Where there is need of automation and where it can be justified, I would certainly urge that consideration be given to that type of equipment. A question has been asked to define automation and I shall attempt to do so. Automation is where there is mechanization, with a certain amount of internal or integrated self-control of that mechanization, and this comes about through equipment that is electronically controlled or operated where once a certain setting is given to the machine, the machinery carries on and self-controls itself into a definite desired result. Now I hope you are not too confused with that definition but it's about as simple a one as I can think of at the moment. Automation, I might say in this definition, has been used very, very broadly to mean all kinds of mechanization in the office, and some of the things they call automation I personally don't think is automation. Some people may even call a typewriter an automated device. I personally do not. I think a typewriter is a very

simple device, but it does not have the inherent self-control that I described in my definition, except when we have a typewriter that may be operated through an automated method of some kind. Does that clarify it a little bit at least for us? I'm sorry I threw these words around without defining them too carefully.

Now it seems to me that the reason for wanting to get into automation, of course, is based on the need for information in the organization on the part of management. There are various purposes for automation, or for the use of machinery of all kinds in the office function, and I would like to define them. First, there's the reporting function. We keep records to report to someone. Those of us in this country constantly think of the Federal Internal Revenue Bureau as one of the major reporting agencies to which we have to report as individuals and as companies every year in the payment of taxes. This in itself has caused much record keeping and, of course, it has been the basis for much of our advance into automation itself.

Another purpose, of course, is the record keeping function, the mere keeping of records. This is very important, I am sure, in the insurance field because you must have a record to report to the consumer. Your customer at all times expects you to keep a record of, and many times a record *for* him, particularly in the life insurance field where you expect that a careful record be kept in a Home Office or in an office somewhere over a 20, 25 or 30 year period.

The third purpose is the decision-making function where records are used by Management to make decisions. I'll have more to say about that later.

The types of information that all of you have in your organization, in terms of the automation type of thing, fall into the categories of routine information, that is, information that occurs every day of your life; secondly, the repetitive type of information where you are repeating over and over, once a certain procedure is set up, for many weeks or months, or even years. And then, thirdly, the program type of thing where there is a definite program set up to give you certain information. With an automated device, this programming can be done on what are known as programming boards. It can set up ahead of time and then, for certain types of information, put into the machines and by running certain card records or tape records through the machines, arrive at certain results.

I think that in all of this I should like to suggest that what we're trying to ultimately come out with, and what we are all seeking, is

some kind of standard operating procedure. Some of my management friends may not agree with this, but I definitely think that our struggle is always toward a simple standard procedure, so that once it's set up we never need to touch it again. I think this is some of the motivation back of the so-called automation. I don't think we will ever arrive at it—at least not in the next few years. Now, anything that deals with automation, I think, is definitely going to have its effect on the organization.

I have seen organizations start out with automation and I have observed what has happened to their organization structure. I think that it tends very definitely to centralize operations because of the cost element itself. For example, \$50,000 is a very small amount of money in terms of automation devices. We usually think in terms of several millions of dollars when we think of a complete setup in an average-sized organization. This is a lot of money to be putting into this sort of thing without knowing definitely how we are going to use it, and this has a reflection in the organizational structure. In other words, the structure must say, management must say—are we going to get that much value out of it? If so, how are we going to use the information we are getting? I should like to point out the past, present and future in this whole deal as I see it. I'm summarizing here the various reports that have come to my attention and the various research that we have done in this field.

In the past we have had mechanized equipment to handle volume loads. For instance, the ordinary tabulating machine is a mechanized piece of equipment, using a punch card and giving you information, that will handle x number of cards per minute or per hour. We are presently in the stage, as I see it, of the technological advancement into this automation; that is, where we are trying to get equipment that will have a self-controlled feature. That is, when we feed these cards or tape into it, that when we get to certain types of information the equipment will automatically shut off, or automatically do something. This is automation—self-control. The future is very, very interesting in this field because of its implication for decision making. I think I can see on the horizon where we are going to go into a revolution in decision making, based upon what this equipment will ultimately lead to in technically automating all decision making. I want to emphasize *all* decision making. Now this is in the future.

I want to tell you of an experiment that we have done at our own little setup. Incidentally, we build some of our own equipment. We

can't afford to do otherwise at Penn State University. We have some commercial equipment. I think we have something like a 2½ million dollar investment in the normally known equipment. But we also have what we call the Penn Stack, a piece of equipment which we have produced ourselves and to which we are constantly adding all the time.

We have taken a trust officer in a Pittsburgh Bank. We have followed his decisions over a period of two years, in his selection of investments for customers of the bank in their trust efforts, in their trust activities. We have followed his efforts, we have put that on punch cards and then for two months we have made the decisions that that man would ordinarily make. Then we have had him check those decisions to see if these were the decisions he would have made, and we have gotten a 98 per cent accuracy out of this. This is just an experiment, you understand, but you can see what is coming. In other words, we can take a trust officer and replace him—at least for two months. This gives you some idea that we can record a man's decisions, your decisions in a certain type of activity, and then you can take that long awaited vacation for several months and things will go on just as usual. This is in the future perhaps—just a little bit in the future—but I think it's right there on the horizon and is coming very rapidly. It's an intriguing thought isn't it?

Now just a word about decentralization versus centralization in this field. As I said before, automation does bring about a tendency, a very strong tendency, towards centralization of activity—mainly because of the cost. There are cyclical trends, as the Economists would call this, in this field. We have observed industrial and business organizations in this country that have gone through the decentralization process and then saw them centralizing and then often decentralizing again. They go in cycles, and one of the most interesting companies—and I cannot give you an example out of the insurance field although I did search for a good example but I couldn't find a good one—that I have been able to find has been the Sylvania Electric Products Company which is now a part of General Electric.

They have 44 factories in this country. They are all over the United States. They decentralized on the theory that by so doing they would get better productivity out of their 44 managers. They were given complete authority in the operation of these companies with only three policies set up by the New York Office, which is the National headquarters, and the manager was actually on his own. After a while

they found that they were losing the control, the control of paper work. In other words, New York could not get its reports fast enough to make the decisions it had to make, so they had to go to automation. They have set up a Univac just outside of Syracuse, New York, which is tied in by Western Union lines to all of the 44 factories so that there is constant information being fed back to the central location. That information is fed daily into New York headquarters so that every morning Mr. Mitchell, who is President of the Company, can look at the results and find out his total production yesterday in this country—his total sales. He can find out his sales by product, he can find out the productivity of any unit in the 44. So he now has controls, but it had to come about through a very expensive setup—something like 4½ million dollars in the Syracuse area.

I merely mention this to show that there are advantages and disadvantages. But I think once we get into this sort of thing, we will find tendencies toward *need* for centralization. Just a word now on the effects on employee morale.

Every place that we have checked there has been a disconcerting feeling on the part of employees that as automation is brought in, they are going out. This has been true in the industrial productivity phases of automation, that is where we have had automated machines in the production lines. Men have been released. So far in the office, however, we find that this is not a real barrier because although we may switch personnel from one activity to another, we still need personnel to make up these cards, to make up these tapes, you see, all the way through. Now here in New York, at 315 Fourth Avenue, is the Remington Rand organization where they have a Univac. If you go in there, you will watch this very wonderful machine gobbling up, as it was the other day when I saw it, 11 tapes at a time into the memory device. Eleven tapes, and you stand there in great wonderment and say “what has happened, what is happening in this country, with this piece of equipment that will replace many, many people?” But when you look behind the scenes and go up on the 12th floor, you will see over 200 girls there who are making these tapes, and you will immediately realize that there is no replacement, that there has actually been an addition of people necessary to get these tapes ready. So it’s quite a different story when you look behind the scenes.

Now may I leave automation momentarily, and mention several other points in connection with my observations in the field of office productivity, which is my field of specialization and in which I am

finding increased interest on the part of industry in this country and in Europe, too, for that matter. I have been asked from time to time to outline a program of office productivity for the small office that is not automated or is unable to afford automation. I should like to talk on this point just for a moment, otherwise I would be talking only to companies that can afford this other equipment and thereby missing some of my audience; so I want to talk to those of you who are in smaller organizations, who do not have the inclination at the present time to go into this automated type of equipment, but who want to do something. And I think that there is much that you can do. I would outline a four or five step program very briefly for you, on what I would do and what we are doing in many companies here.

Number one is to make a thorough work study of all the office operations and supervisory and even management functions dealing with the office. Make a thorough work study determining specifically what operations are involved. This will be necessary ultimately anyhow if you go to automation, because the first step that is done in automation is to study work operations and then relate them to the machines. By so doing you can then begin to streamline your organization, because what happens in the office is that a record is called for, a certain number of people are assigned to produce that record. Two months later the record is no longer needed, but we continue to hold onto the personnel. They are assigned other duties, perhaps, but sometimes ineffectively, and they are used inefficiently. So by studying our work all the time, and by having a basic work study, perhaps we can then justify every one of our work stations, our personnel and the operations involved. This is a rather simple type of thing to do. Someone just has to work out the details and sit down with each worker and make what we call a work station analysis of each station. This has tremendous payoff, and in companies where this has been done, we find that there has been a tremendous amount of savings just in that one step.

The second step we always like to take is in the improvement of work methods. Here again is a basis for the later mechanization of these operations; by improving these operations we mean the simplifying of them, the consolidating of them, the throwing out of some of them that are unnecessary, thus keeping our organization streamlined in terms of these operations.

A third step that we usually elect to take is the determining and setting of work standards. In this area we must admit that there has

been little, or relatively little, progress on work standards in this country. I talked with a Fire and Casualty Insurance Group several days ago in Chicago, and I found only three companies out of 108 that had done anything basically sound in the field of work standards in terms of clerical workers. This is not a very high percentage, and I dare say I would get a very similar response if I were to ask you here how many of you do have work standards. You can ask yourself that question, and I would say that probably very few of you have. I think this is what we have to do. We have to begin to set work standards in our clerical operations so that we know we have some basis of measurement. In an organization of this kind, where we profess to be cooperating with one another as has been mentioned here several times this morning, there is a marvelous opportunity to exchange these standards with one another and to determine: am I doing well or am I not doing so well and why not? You have a real basis here for this exchange through this organization itself.

We have to have standards in terms of quality, in terms of quantity, and what I'd like to refer to as "results" standards. What are the results we are getting? This ties in with decision making, also. It has a lot to do with employee attitude and morale. There is nothing more discouraging than an employee who is a good producer, working without standards next to a person who is a low producer, at the same salary or wage rate. However, working under standards, and having definite standards, we find that all the old bugaboos about "this will ruin employee morale" are just not true. We find that we have a higher morale when Susie, the good worker, knows that other people in the office are also being rated or being measured by the same standards and she is being recognized for her superior productivity through either salary or non-financial incentives of some kind. This is what I would like to refer to as the employee morale, or attitude, area and we can do a lot to bolster this just by setting standards and keeping records in some simple way so that we have some means of measurement.

Then we come to the fourth step that I think, probably because of my background and present work as an educator I am a little partial to, and that is the area of training. In the past, we have been training a great deal in what I would like to refer to as a "knowledge" training. There has been a lot of training and education going on in the office, as well as in other parts of our business establishment, on the *knowledge* of the job; procedures, organization, operation knowledge. This is all very fine and I'm all for that; but in addition, I think we

have to go into several other areas of training. One of them is attitude training. We are learning that attitudes can be modified; sometimes they can't be changed, but attitude training is relatively new in this country. We are modifying the attitude of the worker toward every other phase of the business, through careful and planned types of activities that will bring about a better attitude.

The other type of training which I think holds a great deal of promise, is in the further development of basic skills on the job. In clerical work almost everything that is done by the workers involves some kind of skill. Handwriting is a skill; if the handwriting is not legible then it is not worth very much. Another skill is communicating. There is a great deal of communication among employees that is necessary because of the work itself. Then we get to such skills as the typewriter itself. Everyone of you have typewriters in your organization. You may, or may not, know that I happen to be one of the people that have been researching in this field since 1931, when I started my research at the University of Iowa. We have been working with this basic skill since that time and we know a lot about it; there's a lot of things we don't know about it but we do know that a basic skill, the basic skill of the workers in your office, can be increased in a relatively short period of time—I'm thinking something like two months—through a program of in-service training not to exceed 9 or 10 minutes a day. We can get up to 30 per cent improvement in a period of two months.

At Dun and Bradstreet, right here in New York City, several years ago, we took 27 girls, and in a span of two months with a 9 minute program a day, we got a 32 per cent improvement in productivity. This is about one third; in other words we added about nine people to the work force in productivity without adding them physically. We think this is worthwhile. This has been true with many other companies, companies like John Hancock Insurance Company in Boston which is, at the present time, involved in a basic skill improvement program. They have four full time instructors, and I have trained all of those instructors myself.

An insurance company in Hartford, Harris Trust Company in Chicago, and many other organizations are successfully following the plan. This is true not only of typewriters, but key punch machines. We are now working with Remington Rand here in New York on the Simplex machine, which is the machine that makes the tapes, because we have to have high productivity in this. These girls are well paid,

they have to have very high accuracy, because once a mistake gets into the machine, it could take as long as two weeks to get it out of the memory *banks*. It all goes back to the basic skill that the girl has in putting the data from the raw material—the raw statement of fact, whether it is handwritten, or typewritten or some other type of reproduction—onto the tape through the machine. This still has to be done by human beings. This we have not automated as yet. We hope we may get this some time, but this is still the human element. In this day of automation, in this day when we have such marvelous devices, the marvelous devices are dependent wholly upon the human skill that goes into them. Let's not forget that point and the fact that we have done very little about this human skill in this country. We train them basically, but this basic training, you may not realize, will deteriorate in a very short period of time to a very low productivity. Take, for example, a girl who is hired at a rate, say, of 50 words-per-minute (words-per-minute is a definite rating or standard that we have set up here in this country, which is devised from the number of strokes divided by 5 and then by the time, because 5 is the average number of strokes in a word, so 50 words a minute means something to us here and this is a pretty good skill. We think this is pretty good, and most of our companies, personnel directors, would hire these people almost immediately at that rate). When we follow people like this skilled typist on the job, we find that their productivity rate is only one half, or 25 words a minute, although management thinks they are getting 50, and they are paying on the basis of 50. And we find that this goes lower after a period of six months.

Now these are facts that we are finding out, and we know, through a simple program of skill improvement *on the job*, that we can not only maintain this basic skill, but actually increase it. We increase at good rates of speed so our productivity rate then is worthwhile.

And then, last but not least, is the improvement of office supervision. We cannot lose sight of the supervisor; he's the key to office productivity. Good supervision means that all of these other things will be done. A good supervisor will do work study, will know the operations. A good supervisor will build morale and create the right attitude on the part of the employees. Good supervision will bring about good training techniques. The supervisor will see that these things are carried out, and I am talking here now about supervision that is freed from production. I know that this is not a popular idea. I know in England it is not a popular idea because the supervisor is a

working supervisor. She carries on the production right along with the other people. We like to think that the supervisor in an organization that has a sufficient number of employees, will be a full time supervisor not on production and so able to do some of these things that I have been talking about, because that, in the long run, will result in higher productivity. In other words, a supervisor who loses her productivity, but can increase the net productivity of 12 or 15 other workers, will soon replace the productivity that is lost through increased productivity of others. This has to be proved to management, of course; management has to be convinced of this. On the surface it sounds like a loss, but we can indicate that this is a requirement.

The last topic that I should like to just mention is communications in the office. It is vital that communications be maintained throughout the whole office structure. This type of communication, of course, involves the workers, their immediate supervisor, middle management and top management people. So often workers in the office seem to be cut off from policy decisions and policy that is set by top management. In other words, the office is many times thought of as a necessary evil, and some of the privileges that are accorded to other parts of the organization may not be accorded to the office, and I think this is a mistake because office workers are just as keenly aware of information and policy as anyone else in the organization, and I think that it should be fed to them in some way. And then within the organization itself, of course, there are communications that must be carried on. That is the communication that must go on within the departments, within the sections and units that are working together and cooperating in the flow of work as it goes through the organization.

Administration and Operations: Modern Management Techniques

M. J. JUCIUS

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I AM particularly delighted to be here because of the feeling of responsibility which I sense in this group, a feeling which derives from two important points. Number one, you are managers, leaders; and anyone who is a leader accepts a terrific responsibility, not only

for his own life but for those of other people. In fact, I think in our society business leaders perhaps have more to contribute than almost anybody else, with perhaps one or two exceptions. Certainly I might put religion a little bit ahead of you, but that's about all. Number two, I accept this task today because maybe you think you're selling insurance, but I think you're selling security, which is one of the things that all people seek, desire, talk, yell about. So maybe this is a program on insurance plus, but I think it's a program on *security* plus. If I can say a few things to you today about management, which will refresh your own motivation to do a better job in motivation, in management, I will think my task will have been accomplished.

In some respects it's a little amusing to call modern management "modern" because some of the things I have to say are as old as recorded history. We've had management as long as two people have gathered together in common endeavor and tried to do something between, and for, themselves. People working together can accomplish anything if they have leadership because human beings do not coordinate automatically. We do not have this built-in system Dr. Strong talked about in the case of groups of people. We do need somebody to lead. That does not mean, in my mind, that you therefore are better than the led; by no means. But you are specialists, just like the led are specialists, and both are needed in this thing called "People Working Together." So you see, modern management is very, very old. Perhaps the most modern thing about it is that we are beginning to appreciate that there is a profession of management, just as there is a profession, let us say, of actuaries, or doctors, or lawyers, or engineers. And that is my first point to you.

Let us look first at some universal elements of management found anywhere, I don't care what your business is or what group you are dealing with. The test of management is very simple. Do you plan, organize, direct, and control the work of others? This is a question you can very simply answer by taking an inventory of your time, as Dr. Strong suggested in connection with office management. Take an inventory of your time and see what work you do, and I hope that when you take that inventory, you and your subordinate executives will return a report in which your time is spent on planning, organizing, directing and controlling the work of others. Please note—*not* doing the work of others. I know you like to do the work of others, though, because I see all executives falling into that error. It's very difficult to avoid because you have a feeling of responsibility for the

work you are doing. You know that failure will be placed on your shoulders; therefore, when some important job comes along, you want to do it, and I don't blame you. If you didn't have that feeling of responsibility, you wouldn't be where you are today. You wouldn't be an executive. You wouldn't deserve the title and you wouldn't last very long.

So that feeling of responsibility, that desire to do things is very important but—you must delegate, you must get other people to do the work. Why don't we? Why do we want to do it? Why do we hesitate to delegate to people below us? First of all, because we don't trust people; we don't trust them to do the thing and come out successful. Please note when you say, "I don't trust a subordinate," you have told me that you are not managing because a good manager selects, trains, alternates people so they *can* do the job. If you spent your time being a manager, then you would have people who could do the job and you could sit back and plan or organize, direct and control the work of subordinates. So if you have a feeling that people cannot be trusted, just point the finger back at yourself. Now when I say "you," I hope I am not insulting you. I am using this term in a broad sense of management. I'm thinking particularly of the people below you as executives who are looking to you for ideas on management. See if your subordinate executives, supervisors, managers or whatever you want to call them are, or are not, delegating. See if that is one of their weaknesses, and then you can help them out.

Another reason why we hesitate to delegate is that we feel superior about it. I can do any job that my subordinates can do. Maybe it makes you feel superior but it certainly makes the person below you inferior, and as long as the person below you feels inferior, he cannot develop into a mature team member. So if you want to weaken the team by strengthening your own ego by saying you can do any job, continue to do it, but you won't have top flight managers. So resist temptation to do it yourself. Get the people below you to do it.

Now we also find that our subordinates resist delegation. They don't want to accept it, and I would like to mention two points right here very quickly. Subordinates do not like to accept responsibility because they do not have confidence in themselves or because they fear unjust criticism. Why do they lack self-confidence? Why do they fear unjust criticism? Again it goes right back to us. You are the leader. You instill in people below you the attitude they have. Attitude training—why, of course, you're doing it all the time. What kind of

attitudes are you developing in the people below you? You don't have to worry about starting an attitude training program right now—you are in it up to your neck. The question is, what kind of attitude training are you going to instill in your subordinates, in the people who are playing on your team? Here again you see people resist because of that, because you think that they have failed.

Let me summarize my first point then: Are you managing? People will not resist delegation, and you can resist the temptation to do it yourself if you actually plan, organize, direct and control the work of others. I'm going to repeat that phrase because I certainly believe what the cigarette advertiser believes—keep harping on something, repeat—repeat—repeat. You know it, but we don't always follow it. The other day I read in a national magazine about the president of a large company who said, "I thought my job was to organize, deputize and supervise." He said, "I happened to be walking through my garden one day and it occurred to me that I hadn't planned for the future." That shocked me. Here he is getting a quarter million dollars a year and he doesn't know that he has to plan. So you'll excuse me if I say to you something like that, because if people who are making a quarter of a million dollars a year forget that they must plan, then maybe you and I do it too.

Do you plan? Do you organize? Do you control the work of others? You do it very quickly by setting objectives and goals, by developing plans and projects, by working out organization structures and procedures, and particularly by motivating and stimulating the people below you to become mature team members, not people who follow because they are afraid of your leadership. Now these are universal things. This that I have talked about is true anywhere at all. The basic element of management I have now told you. Let us look at something that perhaps is a little more modern, only because we are beginning to think about it, and that is: Your behavior as an executive.

You see a baseball player swing at a ball, but there are various ways of swinging at a ball, just as in tennis or golf. Now if these functions of planning, organizing, directing and controlling are universal, it doesn't mean that you all have to do it exactly the same. In fact your personality, your behavior can now come out. How should you behave? I will give you one word of warning when I go into these details. There is no one way of swinging. There is no one way of behaving. You should select that combination which is best suited to you, your followers and your environment.

First of all, how do you look to your subordinates? Have you ever studied yourself in front of a mirror to see how you talk, how you actually look when you smile, how you look when you frown, how you look when you're giving an order? If you haven't, then you'd better, because we are all actors and the reaction that we get from the people below us depends on their interpretation of what they see of us. You may think one thing but you may look something else, and there's only one way of finding out how you look in your dress, your language, your voice, the way you tell stories, the way you swear, the way you smoke, the way you drink—only one way: Give yourself a lot of conscious self-examination, because it certainly affects the way you plan, organize, direct and control the work of your subordinates.

Now another thing that affects your behavior, or will determine your behavior, is your attitude as to how people should be directed. Should you be autocratic or democratic? Should you be permissive? Should you be participative or paternalistic? Should you be domineering? Some people will say it's best to be a democratic boss. To be very frank, that's bologna. You should select that type which is best suited to the circumstances. Sometimes you ought to be an autocrat, sometimes you ought to be domineering, sometimes you should be participative, sometimes you should be consultative; but this takes a lot of study on your part. You can't do it subconsciously and depend upon your personality to blossom out at the right time with the right method. Management takes study. As I pointed out earlier, if there's one thing about modern management that's modern, it's only because of recognizing that it takes thinking, just like any other field. You expect this thing to blossom just because you are you.

How should you direct people? Select the right combination of these factors. What factors do you use in measuring subordinates? That's part of your behavior. Do you measure subordinates on the quantity of work, quality of work, kind of work, the way they appear, their neatness, their subservience? Here again don't use *one* test, or people become conformists. If subordinates know that you are always checking to see if their desks are neat, then they'll have a neat desk. That of course is an error, because if his desk is neat and orderly, he may not do any work but he keeps his desk neat. But if you use all these factors I have mentioned at appropriate times, you get away from the charge of conformity, which I think, correctly, has been leveled at management in the United States—and I think everywhere. Don't use one test in measuring success.

Another aspect of your behavior is your interest in people or their work or their difficulties. What is your interest when you deal with people? Work, the people themselves, or their difficulties? Here again, use the right combination. Sometimes you've got to be interested in work, sometimes in people and, I think, more importantly in the difficulties they face. How can you help a subordinate? The best way is to help him overcome the difficulties which prevent him from reaching your objectives. It's easy to say to a salesman, "We must sell." He wants to know *how* do we sell. That's your job. Remove the difficulties that prevent him from reaching your objectives.

One more point in this personal behavior. What degree of freedom do you allow your subordinates? Do you demand strict compliance with everything you do? Do you manage by objective? Or, do you allow people the right to make mistakes. Here again I think modern management would say, "Let's use the right combination." When I'm reacting towards people, sometimes I will want them to obey me specifically. Other times I will give them broad policies, but if they're ever going to mature, then we must give them a certain area of freedom to do things for themselves. Now I know it's difficult to stand by and say, "O. K., you go ahead and do it," and that fellow may climb an economic tree and fall on his face; and of course I lose prestige, too. But unless you let your employees climb trees and fall on their faces a little bit, you are going to have people who can't do anything unless you are around, which of course would be very undesirable.

I have very quickly mentioned some of the behavior patterns you should consider in determining how you should perform those universal functions of planning, organizing, directing and controlling. Now my third point is to look at some of the environmental factors which you must consider in managing. Somebody facetiously asked the question, "Does a fish know that he's in the water?" Of course we could debate that, and I don't know what the answer is, but I sometimes wonder whether we, as managers, know the environment in which we are swimming, and consequently getting into difficulties because we lack an appreciation, a studied conscious interpretation of our environment. Our environment is very complicated. I can do no more than again refresh your memory on certain things which you should consciously think about as a manager. The environments that I see are economic, psychological, sociological, political and religious.

Some people think that when they go down to the office or to their enterprise in the morning, they are dealing strictly with an

economic unit. I wish it were that easy. I wish it were that easy, but unfortunately I think we've found out that where we have done that, and thought only that we are an economic institution, there are other groups who are taking away some of our prerogatives because they are saying to the employee, "We are interested in your total life, we will protect these other facets of your life and that of your family." So let us see some of these things to which you should give attention. I'm not going to try to figure out how you should do it, I am not going to give you specifications as to what you should think, but Lord help us in management if we don't give these things some thought.

Now most of us, of course, have long thought about the psychological impact of working upon the individual. Why does he work as an individual? Of course we can rattle off these basic needs of food, shelter and clothing, the idea of creativity and so on and so forth, but it isn't as easy as that. I want food, you want food, but I'm pretty sure that the type of food that I want to eat or that you want to eat is certainly not the same, and if we go from country to country we find complete differences. So this psychological thing needs a great deal of study. What happens to the individual inside of himself? We must think about that.

The second matter for attention is sociological. Here again this is very modern. We have been thinking about social groups, what people think as members of a group. Why do you behave nicely in this room? Some of you may want to jump up and down and maybe swear at the speaker, but you don't do it because you know your fellow registrants would frown upon your actions. You would be ostracized, you would be thrown out of their social group. The same thing is true in your offices. People lower their productivity for a number of reasons, but Dr. Strong would quickly agree that one reason is that the group says, "Lay down on the job," and when the group says that, I don't care how good you are, you lay down on the job even if the boss says go ahead and do it. We must learn more about group reaction. A person with tremendous personal motivation may find himself submerged by the group and act as though he were one of the lowest producers. In fact it has been found in a number of our researches that the best workers are often the poorest workers, that the ones who have the best potential actually have the poorest output. Very, very curious. But there's something else. In our management, in the environment in which we deal, we must think about group reaction, group attitudes, group traditions. We have to become, un-

fortunately, sociologists. I say unfortunately because I like to pay attention to my job, my technical jobs, this automated machine. But no—they bring in their sociological problems and their psychological problems and I must deal with them.

Now here I come to another aspect of environment which has been shunted aside in country after country and particularly in our own: politics. “Keep away from politics. Have nothing to do with it.” That’s been the general attitude. You can’t. The politician is overwhelming us. We can’t answer the question that simply. The question must be answered, “How must we participate in politics?” How, not whether we should or shouldn’t. Now I can’t give you a formula, but I do know that company after company the last couple of years has finally realized they had better take some political action because if they don’t, they find themselves behind in the parade. You must be a politician, not only externally but internally. Politics has been going on in most of our concerns for a long time. Are you an expert in internal politics? Maybe you are—maybe better than you think. I’m asking you, however, to be a *conscious* politician. The only difference between you, perhaps, and a professional politician is that he consciously thinks about these things. You and I may be just unconscious politicians, and you can be much better if you are conscious of the tricks of the trade.

My final environmental factor is religion. What have we thought about the religious environment in which we operate? Here again I can’t prescribe something, but we certainly must think about it, if no more than to know exactly how people think about this thing. We must respect them for their religious beliefs. Now some companies have gone further than that. They have provided a chapel in the business enterprise where a person may go for a few minutes and say his prayers. You know if coffee breaks are important, maybe religious breaks are important, too. Perhaps more so. Which is more important—to feed the body or to feed the soul? Seriously, you must give thought to that. Some companies go further and even provide ministers on their personnel staffs. Now I’m not telling you to do that, but some have found it desirable. In other words, think about the environment, and provide for things before it’s too late, because certainly most of us have some religious beliefs. Religion is the basis of ethics, so if you don’t like the word religion, certainly think about the basic ethical standards of those you deal with. Certainly, if I hired an individual I would want to weigh the way he thinks about moral, ethical standards, which I do think flow from the religious training that people have had.

So now I have told you something about modern management. Nothing really outstanding, I am sure, but I hope I have awakened in your mind, refreshed for you, these three points, that there are certain basic managerial functions that all of us must perform whatever the size of our business or whatever the business. There are the executive functions of planning, organizing and directing and controlling the work of other people. You are an orchestra leader and your job is up here directing that orchestra. That's what I'm telling you and the minute you go down and start to play an instrument, you've wrecked the team. You may be a wonderful fiddle player, or a wonderful drum beater, but I assure you when you are playing the fiddle or beating the drum, the team has lost the cohesive coordinative unit that belongs up here. So think of yourself in those terms. You are a specialist, leading, and as a specialist you belong up here. Don't go down there any more than you have to.

The second point was that your behavior has much to do with how you perform these managerial functions, and I'm glad to bring that to your attention because there is no one pattern of behavior, as some people may think, essential to an executive. Each of us has the opportunity to develop his own potential, whether he is short or tall, skinny or fat, it's immaterial; I'm talking about personality, as well as physical appearance. This is the key that permits you, as an individual, to blossom out, and I want you to think about those who are coming after you in the same terms. How can you let each person develop his behavioral pattern so it contributes the most? Don't strait-jacket everyone into a single pattern of behavior.

Finally, I have asked you to think about the environment in which you operate, consciously. Now I don't know how I can answer this for you, I wouldn't try. But I certainly hope that you think about these things; the psychological, the sociological, the political and the religious. Think in terms of what may happen in the future as well as what's happening today in this particular regard. Now, you see, if you do give thought to the things I have mentioned as being within the framework of management, you do have that full time job that Dr. Strong was talking about. This takes time, and as long as we in management don't take time to give conscious consideration to these managerial functions, these behavioral functions, these environmental functions, we are not doing a complete managerial job. We may be getting away with it for only one reason: neither are our competitors. But work toward that goal. I don't expect you to change overnight, but I

do hope you will instill these things in the minds of your subordinates, because improvement, gradual improvement, is the answer; and I mean gradual improvement in spending time on management, and not strictly on the technical phases of your job, important though they may be.

Questions and answers on the four preceding papers follow:

Q. Would your society be willing and able to withstand a demand for a class of policy fostered by your competitors which you regard as undesirable or of no social significance? A. (Mr. Klepetar) I don't think so. I mentioned that the Family Life policy which we considered socially undesirable is being sold by our agents.

Q. Could you amplify your reference to "do-it-yourself" auto? A. (Mr. Jeffers) This experiment in modified group auto insurance is being conducted in Oregon. As we moved into Oregon originally, we went there with some good contacts with unions, with some particular types of industry, and with some other associations. We had planned to have one sales representative meet with groups of these people, explain generally Nationwide, the facility we were establishing there and leave with them applications for insurance. State regulatory authorities prohibited us from referring to our program as a group program. We were also told to underwrite on an individual instead of group basis. At present, we still have an opportunity to distribute literature at meetings of employees or members of an organization. The do-it-yourself kit combines these principles: We have limited the kinds of auto insurance contracts that may be issued. We direct-mail him, in addition to these group approaches, and ask him to simply submit a simple application form. When this is received in our Oregon office, it is underwritten about like any other auto insurance business.

How do our direct sales costs compare with sales costs under other distribution techniques? For every dollar of direct sales expense in Oregon today, we are producing just under \$19 of income. This is a new operation. We've been out there just a little over 18 months. In two other states where we've been operating about the same period of time, but using the regular agency approach, we're producing in one of those states about \$3.50 income for every dollar of direct sales expense. We're producing \$5 of income in the other state. Now for the first six months of 1959, if we ratio the direct sales costs against income

in our experience in Oregon, it would come out about a 5.3% direct sales expense. In our companies this figure would be about 15% so you can see quickly that though there are many, many unanswered questions, the acquisition costs in Oregon have been reduced greatly.

What about loss experience? Our figures aren't credible yet here any more than they are completely credible in the expense area. We do believe, though, that the business we're putting on the books under this plan will compare favorably with the general run of business we're accepting elsewhere.

Q. In many offices in India they are now trying to introduce a horizontal type of administration instead of vertical management. Which is more economical and helpful in running an office more efficiently? A. (Dr. Strong) In a vertical organization, we many times find that the top manager or president of the company is probably tending toward being more autocratic. Now in going to a vertical organization we are in effect saying that we are spreading the management, which is many times a good thing. On the other hand, when you spread the management and make a vertical organization, then it almost demands that you have a good manager of the type that Professor Jucius was talking about where he is willing to delegate to the other people in the organization the functions, or some of the functions, which he would normally handle himself. We can go to extremes either way. You end up many times having a mixture. There is still no substitute for good management as such, so if we go to a vertical organization, and we have the leadership, then we can say good. I would say that probably vertical organization will lend itself better to good management than would the strictly horizontal.

Q. Would you agree that delegation can take place only after plans have been initiated and approved by, say, the Board? How, as manager, do you educate your Board? A. (Dr. Jucius) Yes, I would want the Board to tell the president what the Board wants done. That doesn't mean the Board doesn't get communications from the bottom which will help it do a better job of planning. Yes, I must agree that the Board must instruct the people below. As to how the Board gets educated, I would have to give you a formula and you would have to apply it yourself. In any educational program, you have to ask yourself this question: What does the board know? Subtract that from what it ought to know and that would give you the content of your educational program. I would give you this word of warning. Education never takes place over night, so if the Board has to learn ten

things, say, then the real problem is how many of these things will you teach them this year and how many next year, and so on.

Q. How do you control competition between your full-time and part-time agents? A. (Mr. Jeffers) We don't always attempt to control competition between agents, part-time or full-time. You have hit on an area, though, that is a management problem. One criticism you will normally pick up in an agency system with both full-time and part-time agents is that the full-time has to take care of the part-time agent's service work. There is some pressure from the full-time agency people to eliminate part-time agents. I see a trend just a little in the other direction, however. A real problem facing sales management is the competition for competent manpower. Financing of competent manpower is going to be a companion problem. We've found through experimentation that in financing agents on the job, if we will put them through a part-time experience for maybe six months prior to putting them on any kind of a financing plan, their chances of being successful are increased considerably.

Q. How are office work standards successfully developed and maintained? A. (Dr. Strong) A problem in the clerical field is the multiplicity of operations handled by one individual. You can't set a single standard covering all this multiplicity, so my recommendation has been to take the operations where standards can be determined and set rather easily, and not bother for the moment with the other operations which perhaps would require a great deal of research and maybe money to determine the standards.

Q. Should subordinates be told that they will never have any more promotions if such is the case, or should we rather leave a hope to get the best out of that employee? A. (Dr. Jucius) There are rare cases, I suppose, where you should absolutely close the door because that is the most humane thing to do. But like a doctor who is treating a patient who is incurable, he still doesn't know what God might do about it so he never tells him he is incurable. I would say that with most employees I would not close the door but I certainly would tell them the things they must do if they hope to be changed or promoted. That I would do for everyone.

Q. Do you foresee any simplification of insurance policies which would lead to better public understanding? A. (Mr. Klepetar) Yes, we have been working on this almost constantly. We have transformed our life insurance contracts from an un-understandable gobbledegook to a more understandable gobbledegook, and we're going ahead con-

stantly simplifying and even for those policyholders who cannot read, we are now putting pictures in auto policies so they can readily find the section that deals with certain accidents.

Q. In pricing a product, is price the sole determinant? Even if your research into auto experience justifies amendments in rates, could you put them into operation without the cooperation of the other auto companies? It would be quite impractical in the United Kingdom? A. (Mr. Klepetar) There are many other things than price to take into account. As far as the rating or more refined pricing based on research is concerned, I am quite aware that in the United Kingdom this would be impractical or impossible. In the U.S., we have indulged rightly or wrongly in further and further refinements in classification of risks.

Q. Has your experience shown whether the great shortage of clerical labor in the United Kingdom with the corresponding turnover in female staff has handicapped attempts to secure increased productivity? A. (Dr. Strong) Very definitely. Any serious turnover problem certainly tends to cut productivity. More importantly, it discourages management from going into programs such as training. They're afraid that when they get the person trained to a high productivity level, he will either go elsewhere or quit, and this has been a waste of money and time.

Q. Should a company engage in party politics? A. (Dr. Jucius) Well, you'd have to define party politics for me. I will say that there's simply no question about your having to participate in politics—the question is how. You can't avoid it. You're going to participate even though you don't do anything. Anybody who says he is not in politics and isn't going to participate is participating negatively, and that is mortal. So you've got to do something.

Q. What efforts have been made to satisfy the needs of farmers to make good the loss they suffer due to crop damage? A. (Mr. Klepetar) Crop insurance is commonly written in the U.S. and other countries. It is a very erratic type of business and any new company starting therein should see to it that they have a great deal of reinsurance available on it so they can sustain the waves of good and bad experience.

Q. When you train a man to become a career agent, do you guarantee a minimum income during the first months? What is the average yearly income of career agents at Nationwide? When insured people move, do they keep the same agents? If not, who receives the commis-

sions? A. (Mr. Jeffers) As we bring a career agent with us, we normally put him on a financing plan; in fact we encourage the agent to let us help finance him while he learns the business. The financing period is two years. He may come off the plan before that period of time if he wishes, if he is financially able to do so, but we in effect do guarantee him a monthly income while he is learning the business. Now this is a direct loan, non-interest bearing, from the Companies and is collectable. For the past five years, you might be interested to know that we've loaned over \$18,000,000 to our agency people under the financing plan and I believe I'm correct that we have written off only about \$50,000 as non-collectable. Our average career agent in 1958 made about \$7,600. The average income for those with us for ten years was about \$9,200. We had a few agents last year who made more than \$40,000. We have more than 500 whose annual incomes are around \$20,000. This is one of the real advantages you get from a multiple line operation, or an all-lines operation where sources of income are varied and marketing opportunities always exist. It depends on how far a policyholder moves whether he retains the same agent. Our policy is to pay compensation to the original writing agent until one of a few things happen. The first would be for another agent to actually make a transfer of the policy. The second would be for the policyholder to request that he be assigned a new agent. If a new agent would add a coverage to that particular contract, this would be sufficient action on his part to cause us to transfer the policy over to his name. We've made an honest effort to let service to the policyholder be the management guide. When we find that a policyholder has moved and he can no longer be adequately serviced by the original writing agent, we try to assign his business to another agent for servicing. We pay renewal service fees basically to compensate the agent for the service he provides the policyholder.

Q. Could you give us some idea about labor participation in management contracts? A. (Dr. Jucius) First, I would like to say that labor participates in all management decisions. They participate by sabotaging your efforts sometimes, by slowdowns, by all kinds of things, so they're participating all the time. The problem again is how shall we encourage labor to participate in our decisions. The best way I can state in just a few minutes is for management to educate labor so that it intelligently appreciates what leadership is doing. If you have an educated electorate, you don't have to worry about how they participate.

After the "New Ideas" discussion, Mr. Rondeau introduced the subject, "The Role of Cooperative Insurance Companies in the World Economy." Mr. Apelqvist then spoke.

Ways and Means to Help Develop Cooperatives in Newly Developing Countries

SEVED APELQVIST

Chairman, General Manager, Folksam

DESTITUTION is the common lot of the newly-developing countries. Their inhabitants are under-nourished, sickly, badly housed and generally illiterate. The average life expectancy is extremely low. These countries have altogether more than a billion and a half people, and their numbers are increasing by over a million each month. The disparity in living standards between the newly-developing and the more advanced countries is enormous, and has tended to widen still further during the postwar period.

The newly-developing countries can attain a higher standard of living only by abandoning their primitive economy, based on agriculture and the extraction of raw materials, and substituting for it an industrialized economy. If this reconversion is to be quickly effected, the newly-developing countries must receive aid from the more advanced in the form of capital and technical assistance. To give this help is not only the humanitarian duty of advanced countries but also serves their own best interest. For without outside help, the course of events in the newly-developing countries is liable to become explosive in character, which will be to the detriment of political and social stability in the advanced countries as well.

THE CO-OPERATIVE MOVEMENT WANTS TO HELP

It has been and continues to be a natural interest of the international Co-operative Movement to help the newly-developing countries in their efforts to improve standards of living. For this movement is more than convinced of the ability of co-operation to create well-being for the masses; it is also imbued with the zeal to spread the idea of co-operation throughout the world. In order to promote the Movement in newly-developing countries the International Co-operative Alliance has not only taken part in the United Nations Technical Assistance

Programme but established a similar programme of its own. An integral part of the latter programme is the support of Co-operative insurance in the newly-developing countries.

A PROGRAM OF ACTION IS NEEDED

To enable the Alliance to render effective support to insurance Co-operatives in the newly-developing countries, a programme of action is needed. Such a programme, however, can be worked out only on the basis of thorough familiarity with conditions in these countries and, in particular, with the prospects for carrying on insurance activities. It should be strongly emphasized in this connection that even though the newly-developing countries share a common poverty, they differ from one another in highly essential respects. There are, to begin with, dissimilarities of religion and cultural life. Another difference is concerned with over-population: South East Asia and the West Indies have to contend with this problem, but not so large parts of Africa and Latin America.

Inasmuch as the I.C.A. Technical Assistance Sub-Committee is now engaged in drafting a programme for the I.C.A.'s own Assistance Programme, it is hardly in a position to supply us with the information we need. In the initial stage, therefore, we shall be compelled to make a special survey of the matter.

This survey should, among other things, report on the experiences of the Indian Co-operative Movement in the insurance field and give the reasons why the Indian Government decided to nationalize all life insurance. However, a survey of this kind should not be carried out until the Executive Committee has decided to submit the question to a regular Insurance Conference for closer study. The next regular conference is to be held in 1960. For lack of survey data at the present time, we can do no more than indicate certain views and recommendations.

CO-OPERATIVE INSURANCE SHOULD BE PRECEDED BY ACTIVITIES IN OTHER FIELDS

The shortage of capital in newly-developing countries poses one of the biggest obstacles to their rapid conversion to a more industrialized economy. In a number of countries this fact seems to have persuaded the Governments to bank heavily on programmes designed to accumulate capital in the shortest possible time. The promotion of Co-operative life insurance companies has here been finding place in

their thinking, and rightly so. It would be unwise, however, to expect outstanding results to follow necessarily and immediately. The point to stress here is that the success of an insurance Co-operative is not assured merely because the authorities are backing it. Nor is this kind of support always desirable in its own right. The key to success lies instead in the confidence that people put into the enterprise, and this in turn presumes that the ideas of Co-operation have gained wider adoption throughout the country.

An insurance Co-operative, however, has not the same opportunity as other Co-operative activities for educating Co-operators. The relations of insurance companies to their policy-holders are too sporadic for such a task. It therefore appears less advisable, from the viewpoints both of the Co-operative movement in general and of Co-operative insurance in particular, to assign the spearheading role in a newly-developing country to an insurance Co-operative. Instead, the right time to move in is when the agricultural or the consumer Co-operatives have attained a certain size and strength within the country. It is then that an insurance Co-operative can acquire a natural basis for its operations by collaborating with other Co-operative societies. The inter-Co-operative dealings can take two forms: first, the societies would insure themselves with the new insurance enterprise; and second, they would carry on propaganda among their members with the aim of making them policy-holders, too. As a result, the societies will acquire a considerable influence over the insurance Co-operative. The insurance business will then tend to become more firmly anchored in the Co-operative Movement throughout the country as a whole. If the country has a democratically-structured trade union movement it, too, can very well be given a measure of influence in the insurance Co-operative, thereby establishing this business on an even broader popular foundation.

FORMS OF INSURANCE

The difference in living standards between the newly-developing and the advanced countries probably involved varying degrees of emphases on forms of insurance. For instance, it is likely that Life insurance will be of limited scope at first in the newly-developing countries, the principal reason being that most of their inhabitants can't afford to buy Life policies. In many of the countries, we may also assume that the people do not need such policies because it is part of their cultural pattern for relatives to support the survivors of

a deceased member. The likely forms of insurance which the *inhabitants* will have primary need for are casualty policies offering coverage against, say damage to crops or injury to livestock. As far as domestic *firms and companies* are concerned, they will probably be interested in all forms that occur in the modern business world. The underwriting of business risks will presumably require some form of reinsurance.

THE INSURANCE GOSPEL MUST BE SPREAD

The starting of Co-operative insurance in newly-developing countries must be accompanied by the dissemination not only of Co-operative ideas but also of the insurance gospel; in other words, people must be won over to the doctrine that insurance is their best economic protection against misfortune and other eventualities. While it will undoubtedly be anything but easy to spread this gospel, there is one overwhelming argument in its behalf, and that is: Insurance is probably the only means at the present time for giving the peoples of newly-developing countries a satisfactory measure of economic protection.

If we are to win adherents to the "insurance gospel," the inhabitants must be persuaded to put their faith in the insurers. It is quite possible that people will put their faith in the insurance Co-operatives for the very reason that they are Co-operative. But it is also possible that this faith will have to be bolstered by special legislation designed to protect policy-holders. Such legislation would stipulate that funds be invested in sound assets and contain other safeguards. The wording of policies would likewise be regulated by law to prevent underwriters from taking advantage of the public's ignorance on insurance matters.

THE STATE AND CO-OPERATIVE INSURANCE

It is now a generally held view within the Alliance that the support of Governments in the newly-developing countries is needed to get Co-operative activities started. The corollary to this view is that the I.C.A. accepts a great degree of control by the Government over these activities. With the result that the problem now facing the Alliance is how to dismantle the controls in the future.

Similarly, the support of authorities—and their exercise of control—will probably also be considered necessary during the initial phase of an insurance Co-operative's operations in a newly-developing country. It is probable that the new company's prospects of shedding State ties will depend entirely on the ability of the Co-operative Move-

ment in the country as a whole to assert its independence. A single insurance Co-operative can hardly hope to do this by itself. If the insurance companies are to be kept from becoming out-and-out State enterprises, it is essential to staff their managements not only with capable insurance men but with capable Co-operative insurance men.

HOW TO ORGANIZE THE PROMOTION WORK

The promotion of Co-operative insurance in the newly-developing countries is a self-evident mission for the international Movement. It would therefore be fitting if the Insurance Committee Executive were to prepare, for submission to the next regular Insurance Conference, a draft programme of action in this matter and, in connection therewith, carried out the necessary surveys. The draft programme should also stipulate how this work is to be coordinated with the I.C.A.'s Technical Assistance Programme and to what extent help can be counted on from the I.C.A. Secretariat in the day-to-day work. Help should also be sought from the Reinsurance Bureau, which might serve as the Insurance Committee's own administrative agency in this promotional work. The Bureau's work, of course, should be dominated by reinsurance questions.

FORMS FOR RENDERING AID

By way of introduction it can be said that the support of the I.C.A.'s own Technical Assistance Programme in itself helps to promote Co-operative insurance. As was described above, the possibilities of successful Co-operative insurance operations in the newly-developing countries will depend on the entire Movement's first attaining a certain size and strength.

In the matter of promoting Co-operative insurance more directly in these countries, we must decide at the beginning whether to do so in the form of technical assistance only or by a combination of such assistance with contributions towards the financing of insurance Co-operatives. The contributions would be in violation of the general principles governing the I.C.A.'s General Technical Assistance Programme. Moreover, the contributing companies would in effect be taking risks with their policy-holders' money. For these reasons, financial commitments of this nature do not appear to be especially appropriate. It would therefore be better to concentrate promotional work on technical assistance. There are various forms this assistance can take, of which a few will be dealt with below.

By maintaining continuous contacts with insurance Co-operatives in the newly-developing countries, we can learn about their special difficulties and help them with advice, surveys and other measures when the need arrives. It may also be necessary to send experts to them to serve for brief periods.

In countries where no insurance Co-operative exists, it may be advisable to get in touch with the main organizations of the National Co-operative Movement and undertake a joint study of the possibilities for establishing an insurance Co-operative. Once an enterprise is started, it should be helped along by providing experts and other services.

We can also award scholarships to Co-operative leaders and officials in the newly-developing countries for studying insurance abroad. Studies should preferably combine theory with practical experience at an insurance Co-operative. It is highly important to make sure that the recipients of scholarships are career men who will continue to work for the Co-operative movement after they return home.

Another form of technical assistance is to organize annual conferences and courses of study designed for Co-operators from the newly-developing countries. Conferences and courses could be held in Europe, the United States or Canada, or even at any of various places in the newly-developing countries themselves. On the other hand, attendance will be a fairly expensive proposition because of the long distances participants will have to travel. In order to reduce the costs it might be advisable to run the courses or conferences in conjunction with some other meeting of the international Co-operative insurance movement.

Since it is likely that the Reinsurance Bureau will convene in India sometime during 1960, this would appear to be a most suitable occasion for holding a special insurance conference. Delegates would be invited to attend from insurance Co-operatives and national Co-operative societies in India and in neighboring countries. The conference, of course, would have to be sanctioned by the Executive Committee and the Secretariat of the International Co-operative Alliance. It could run for two or three days and present papers by Reinsurance Bureau members on different insurance problems. For example, they could describe how the Co-operative insurance business is organized in a number of countries, how different forms of insurance are constructed, how the say of policy-holders in company management is

provided for, and—most important—describe the work of the international Co-operative insurance movement in general and that of the Reinsurance Bureau in particular. With the experience gained at this conference as a guide, similar conferences could be held in some other part of Asia; or, better yet, perhaps in Africa or Latin America.

PROMOTIONAL WORK REQUIRES MONEY

The effective promotion of Co-operative insurance in the newly-developing countries requires more than a fairly detailed programme of action. It requires money, too. The funds which Folksam and La Prévoyance Sociale have so far made available to the Insurance Committee for this purpose are, of course, inadequate. Accordingly we must find ways and means that assure the Insurance Executive and the Reinsurance Bureau of the wherewithal for financing promotional work. Towards this end, Folksam is prepared to accept a reasonable increase in the membership fees payable to the Insurance Committee and the fees payable to the Reinsurance Bureau, provided that general agreement hereon can be reached.

DISTRUST MAY BE OUR INITIAL REWARD

Promotional work along the lines described above will give rise to many great problems of an economic and administrative nature. And to these must be added a psychological problem: sad to say, people in the newly-developing countries often tend to regard Western aid with distrust and suspicion. This is partly due to the strings which are sometimes tied to this aid, which sorely offends strong feelings of national pride. It is possible that even the international Co-operative movement will be construed in this light, as being a purely Western Movement coloured by imperialist and capitalist interests. For the same reason, distrust and suspicion may also be the initial reaction to promotional work of the kind herein outlined. If so, it will be essential for us to overcome these feelings if our plans are to succeed.

As members of a discussion panel, Albert Lovick of Great Britain and Mordechai Zilist of Israel responded to Mr. Apelqvist's address.

RESPONSE BY MR. LOVICK

I listened with great interest to the paper presented by Mr. Apelqvist, and I am sure I am voicing the feelings of all present when

I say that we all feel greatly indebted to him for the time and research he has given to this important subject and for the opinions he has expressed.

Speaking as a representative of the Cooperative Insurance Society of England, I can confirm that our society has over a period of many years had opportunity to give practical expression to our desire to further the establishment and development of cooperative insurance organizations in countries where such facilities have not previously existed. As long ago as 1938 we received a nominee from an Egyptian cooperative source who spent several months with us at Manchester during which time he received advice and training in various classes of insurance business.

In 1947, we were approached by the cooperative movement in Australia for assistance in the formation of a cooperative insurance society in that country, and we were able to find from our London branch staff a Mr. L. C. Boyd who was willing to undertake the establishment of the new society. After a period of intensive training at our chief office, he was appointed to undertake the establishment and management of the National Cooperative Insurance Society of Australia. He is still serving as a general manager and those officers and membership of the bureau who share in providing the reinsurance requirements of the NCIS know how well the business of the society has developed and what an unusual part it has been playing in extending the sphere of cooperative activity and influence in Australia.

Shortly after the end of the last war, at the request of the cooperative movement in Iceland, we accepted as a trainee Mr. Erlendur Einarsson, a young man who had been selected by them to be the first general manager of the new Icelandic Cooperative Insurance Society. I believe we are privileged to have Mr. Einarsson with us today. He received training in all branches of the business over a period of some two or three months and returned to Iceland where he was successful in establishing the new society which has expanded its operations continually since its inception and is now one of the largest insurance concerns in that country.

Again in 1950, we were asked by the Ceylonese government to assist in finding someone with insurance knowledge and experience who could be entrusted with the formation of a cooperative insurance organization in that country, and we were able to provide from among the ranks of our own staff a suitable man. He remained with them

for two years, during which time he was able to inaugurate the operations of the new society and organize the lines along which it should develop. With the cooperation of other cooperative insurance organizations, it was possible to provide the necessary reinsurance arrangements through the reinsurance bureau and this connection is also developing extremely well.

More recently at the request of the Commissioner for Cooperative Development for the Federation of Malaya, we have trained a Malayan nominee in the management of the Malayan Cooperative Insurance Society, which a member of our staff had assisted them to establish in 1955. We are also supervising by correspondence their life underwriting until the manager has gained sufficient practical experience to continue without our assistance.

In addition we have over the same period received trainees from Cyprus, Nigeria, Jamaica, Pakistan and in some instances we have granted the students a subsistence allowance. We have at present two nominees from the cooperative authorities in Ghana who have been accepted for three years training in order that they may be in a position to inaugurate a cooperative insurance society in that country.

In recent years, too, we like to think we have been able to be of assistance in the establishment of new cooperative insurance organizations in certain provinces of Canada as well as in extending through the medium of the Reinsurance Bureau business associations between existing organizations and similar societies in other countries.

The experience gained in these activities all goes to support the principle Mr. Apelqvist has stressed, that the inauguration of cooperative insurance facilities in any country should be preceded by cooperative activities in other fields. It has to be borne in mind that notwithstanding the importance of cooperative insurance facilities to the population of a country in which cooperative production and training are well developed, the fact has to be faced that in an undeveloped country, the establishment of insurance facilities is not of first priority. It is obviously much more important that the means of production and distribution should be organized on cooperative lines, and it is only when as a result of this development the people begin to acquire a measure of independence, that they are able to take advantage of the benefits that cooperative insurance facilities can offer.

Another reason why we support this principle is that the development of the new cooperative insurance societies in Ceylon, Australia, Canada and Malaya was considerably accelerated by making use of

the cooperative connections already existing in those countries. Mr. Raymond Lemaire, in his excellent report of the activities of the Reinsurance Bureau, emphasized that it has not been the policy of the bureau merely to increase the amount of reinsurance business exchanged between cooperative insurers regardless of the quality of the business, but to function also as a kind of advice bureau to the less experienced societies. I believe the Insurance Executive Committee will always be actuated by this principle in the advice it tenders in response to requests for technical assistance in the establishment of the new cooperative insurance societies by making investigations to satisfy themselves that the cooperative development of the country and the economic status of the individual members of the community are such as would justify the creation of such facilities before giving encouragement to their establishment.

As Mr. Apelqvist has said, it may be that even when the conditions appear to offer fair prospects of success for an insurance project, difficulties may be experienced in persuading the people to change habits which are part of their cultural pattern. In this connection I read in a recent issue of the news service of the I.C.A. that in the colony of Fiji cooperative procedures are often in direct conflict with age-old habit and custom, and it takes time to change the traditional way of thinking. These people also regard individual saving as an anti-social act, and credit societies, therefore have no appeal. So it must not be too easily assumed that the establishment of a cooperative society even with the blessing of the government will automatically be assured of success.

I commenced my remarks by saying that so far as the C.I.S. is concerned, we endorse the views expressed by Mr. Apelqvist concerning the necessity for us as international cooperators to assist in every possible way in stressing the application of cooperative principles in underdeveloped countries, and we are in agreement with the suggestions he makes for organizing and rendering aid in the promotion of cooperative insurance in these countries. One point mentioned in the course of the address, however, gives rise to a feeling of some doubt in my mind, and perhaps we should endeavor to clarify it. It is when speaking of the difference in living standards between newly developing and the more advanced countries, Mr. Apelqvist dealt with the possibility of there being a lack of need in some newly developed countries for the classes of insurance normally transacted in highly developed countries, and he stated that it might be found that the

forms of insurance the inhabitants may have primary need for are policies covering against damage to crops or injury to livestock.

So far as livestock insurance is concerned, our experience shows that even in European countries, in which there is no lack of veterinary knowledge and skill, this is a class of business which is difficult to operate successfully. How much more, then, is this likely to be the case in countries where there may be practically no such facilities at all. Again, crop insurance may be expected to provide coverage against hail, storm (including typhoon and cyclone) and possibly even crop failure from any cause. This so far has not been undertaken by any of the offices associated with the bureau except to a very limited extent, and consequently no experience of them has yet been gained.

In the highly developed countries, it is found that among the additional perils which fire policies may be extended to include for an additional premium, many, such as storm, flood, etc., only attract support from the areas in which such occurrences are frequent and it may well be that human nature being what it is, the inhabitants of underdeveloped countries will tend to exercise the same form of selection against an insurer.

In well-developed countries, while such selection often means that the premiums received in respect to some of the specific additional perils are insufficient to meet the claims arising therefrom, the fact is that usually the surplus from the other classes of business takes care of such losses. In the case of the countries under discussion, if these are to be the only forms of insurance transacted, there will be no such compensations, and the whole account may well run at a loss.

We must be careful, therefore, not to encourage people to think that under a system of voluntary insurance, every possible contingency that can arise is an insurable risk particularly in the formative period of a new insurance society. Losses which arise from contingencies the happening of which depend to a considerable extent on the personal factor or on geographical locations may well have to be the subject of special economic arrangements entirely outside the scope of insurance cover.

RESPONSE BY MR. ZILIST

The subject under discussion is very popular over all the world. The modern society understands that there can be no mention of equality, justice and durable peace so long as the entire human race does not succeed in raising the standard of living. I, as a son of a

nation that has passed the first stages of development, am quite conscious of the impossibility of reaching the proper development without the assistance of nations richer in knowledge, experience and means. We appreciate the aid given to us by the peoples of the West, an aid making it possible for us to rise from stage to stage. Our people, therefore, are very happy now, when they can pay their modest share in helping the new states in Asia and Africa by their knowledge and experience. These nations, like ourselves, have attained after struggle their independence and devote now their efforts, energies and enthusiasm to the development of their countries and the raising of the living standard.

The cooperative system is, in our opinion, and according to our experience, the most appropriate and most efficient to achieve these aims. In all these young states live ancient peoples looking back to ancient culture, to old tradition and to deeply rooted customs. There can be no question of copying anything and of transplanting it merely mechanically from one country to another. It is indispensable to take into consideration the prevailing conditions in each country.

We have not to forget that in those countries the past has left sediments of deep bitterness which may in proper means of education and enlightenment turn in a tremendous lever of creativeness and positive enthusiasm. There is the choice of the positive against the negative, of cooperative effort and respect for the liberty of men and nations, against hostility, opposition, poverty and war.

As cooperators, we are always advancing a positive constructive activity and therefore we have an easier approach to this people. We are in a position to explain that the achievement of independence is not the final aim. This is only the framework which enables creation of a better society.

The cooperative system is the ideal form in the struggle for the upbuilding of the country and improvement of the conditions of living. An action in common is more preferable than separate action. So we meet in Israel a group of 50 families, ex-soldiers from Burma who spend one year in cooperative settlements in Israel. They will be pioneers in their own country; they will educate by their personal example how to develop a cooperative agriculture.

One of the principal problems is how to extend the aid. It is very advisable to gather youths, groups of adults, from several countries and to visit the more developed countries in order to see in their own eyes what is done and how it is done, without arousing a complex of in-

feriority. It is necessary to develop the feeling of equality and fraternity by explaining that others, having achieved independence earlier, have been able to acquire more knowledge and more experience, and they are happy to give from their knowledge and their experience to brotherly nations that at present are lacking same. They would do it willingly, prompted by the need of fulfillment of a human duty. It is effective to organize meetings of various countries to enhance mutual understanding.

The cooperative movement in Israel organized this year a seminar for studying some theoretical and practical problems of cooperation. Strong ties were established among the participants who represented 19 countries of Asia and Africa. Such an approach may help to overthrow prevailing barriers, to institute relations of understanding, goodwill and collaboration and to pave the way for a better world.

And now to the cooperative insurance. To a people which becomes liberated it appears that they are able to achieve everything simply because they need everything. But after the first period it becomes clear that the knowledge is not enough, that there is a shortage in manpower, that there is no sufficient experience in management and organization, etc. The contradiction between the desired and available appears in all its cruelty, then comes the table of priority and in the reality there are many things preferable—agriculture, industry, the exploitation of the natural resources, education.

In many countries there is a lack of insurance-mindedness. There is no insurance legislation, no supervision on insurance. The first necessity is to train insurance experts. I support the suggestion to establish a special fund to plan establishment of local cooperative companies by partnership of local cooperatives and existing companies. There is such a use in other economic branches, and the local governments are sympathetic. It might be useful to pay long visits to these countries and study the situation on the spot. We cannot anticipate quick results. However, by means of systematical and persistent work, it should be possible to assist these young states to develop cooperative insurance.

Let us join our strength and pay our share in raising their standard and in the achievement of better living conditions.

I cannot agree 100 percent to the opinion of Mr. Dinnage to go slowly, the time is too dynamic, the situation changes too quickly and what we have to do, what we want to do must be done as soon as possible.

This discussion followed on the subject of aid to cooperatives in newly developing countries:

Q. Can you give indication as to the nature of the inquiry being made by the I.C.A. Technical Assistance subcommittee? Why do you consider that they cannot be of assistance to the Insurance Committee?

A. (Mr. Apelqvist) There is some misunderstanding. The Technical Assistance committee can be of great help, but we cannot get any financial help from the I.C.A. You see I mean that we have to make our own program and our own investigations and our own research in the insurance field. We cannot ask the I.C.A. Technical Assistance Committee to do our job. But we can cooperate.

Q. Has the I.C.A. Insurance Committee ever received a proposal from co-op insurers from underdeveloped countries for capital contributions from bigger established units in other countries? If not, what are the views of the committee?

A. (Mr. Apelqvist) I don't know any such case and unfortunately I can't give you the view of the committee because we have not discussed the problem. (Mr. H. Lemaire) There is no money available from the committee for such a purpose, but Folksam and La Prevoyance Sociale have both made such a fund available. How exactly it will be used has not been decided but will soon be considered.

Q. In some cases large co-op units do not consider it safe to insure their entire risks with smaller offices in spite of self-coverage for units concerned. In such cases can bigger units (larger companies) be prepared for guaranteeing the policy?

A. (Mr. Apelqvist) In Sweden, the cooperative insurance society automatically gets all insurance from all retail cooperative societies and from the cooperative wholesale society; the cooperative wholesale society in Sweden has nearly 100 factories and the value in two or three of them very often is about 100 to 150 million Swedish crowns. This is about ten million pounds sterling. We take everything in Folksam, and we reinsure as much as possible through the Reinsurance Bureau, but this is a small part of it, and you remember what Mr. Raymond Lemaire said yesterday, that the cooperative market for reinsurance is too small and we have to rely in high degree on the professional market. (Mr. Dinnage) I confirm very largely what Mr. Apelqvist has said. The C.I.S. itself does not retain the majority of the risks. We, like Folksam and other societies, place as much as we can through the Reinsurance Bureau, but again, as Raymond Lemaire said yesterday, the Reinsurance Bureau market is not large enough to absorb our surpluses and there-

fore we are forced at the moment to go to the professional reinsurance market. Until the cooperative market is large enough we shall have no alternative. As regards the smaller societies, we have found it possible in some cases to give practically 100 percent reinsurance through the bureau, but that could never happen in the case Mr. Apelqvist quotes of factories worth a million pounds. I mean no insurance company in the world would keep a million pounds of any one risk — a small portion, 5 or 10 percent or something like that. So you have got to find another market, and much as we in the Reinsurance Bureau would like to see all reinsurance dealt with cooperatively, it is quite impractical at the moment. It's something we can work towards, getting more and more of our reinsurance dealt with cooperatively and as member societies become larger, obviously the possibility becomes greater. But certainly it would not be true to say that at the moment the cooperative reinsurance market could absorb all cooperative reinsurance.

Mr. Rondeau said that earlier a question was raised in connection with livestock insurance which was not fully answered. A. (Mr. Midmore) Some two or three months ago, the livestock marketing organization in the provinces of Manitoba and Saskatchewan were undertaking a program of providing purebred livestock in certain quantities for their producers. They looked for a type of insurance for these herds and they found that the best solution they could come up with was to establish a fund of their own to do this very purpose. There's no inability to know what the risk is because of the way this is handled, and it's simply a matter of establishing a fund. I believe they assess themselves two percent, or some such figure to cover this risk. I would suggest that this is the simplest form of insurance and I think that it's something that we should never lose track of when we are talking to newly developing countries and the application of insurance in them. The establishment of pools or funds should be something that should always be considered.

THURSDAY, SEPTEMBER 24

As chairman of the day, Bowman Doss, U.S.A., introduced the subject of "Putting People's Money To Use Through—Credit Unions, Mutual Funds, the International Cooperative Bank, and Investment of Insurance Company Funds by (a) expanding cooperative facilities and (b) financing cooperative housing."

Putting People's Money to Use Through Credit Unions

H. VANCE AUSTIN
Managing Director, Credit Union National Association

TO show you how people put their own money to use in their credit union, let me take you on a trip, faster than jetliner, to Dublin, Ireland. Here, in one of the poorest districts of the city, is a credit union with about three hundred members. The credit union is a two-room affair on Hamilton Street, occupying a shed that had been empty for some time. The office is neat, though, because the credit union members have voluntarily fixed it up inside and out.

It's late in the afternoon of a Monday on a cool autumn day. Sean Feeney has hurried home from work, and he and the missus are going to the credit union office. They've been members of the credit union only a short time, a few months, but they already own one full share in the credit union. To buy that share, they saved one Irish pound. With every pound that they will save from now on they will buy another share in the credit union.

The Feeneys are welcomed into the office by the credit union treasurer, Brian O'Casey. He asks them to sit down, and they make small talk as friends are likely to do. He asks about the Feeney children and about the house.

“That’s what we came to you about,” says Sean Feeney. “The missus wants to save some money on our clothing bill. She thinks she can if she can make some of our own clothes. We want to ask you about borrowing money from the credit union to buy the missus a sewing machine.”

Treasurer O’Casey understands and he agrees. In a matter of minutes he helps the Feeneys fill out the application blanks for a credit union loan. They tell him that they will need 20 pounds to buy a used machine, and they believe they can pay back the money at ten shillings a week. After they give all the necessary information, they bid their credit union treasurer good day and return home.

That evening the credit committee meets at the credit union office. They are three people who have been elected by the members. Their job is to review all loan applications, to determine which loans shall be granted and to suggest modifications on some applications.

Among other applications, they look at the Feeneys’. They agree that Mrs. Feeney surely can save her family some money if she makes their own clothes. And they agree that 20 pounds is a reasonable price for a sewing machine. Finally, they agree that Sean Feeney is the kind of man who surely will repay the 20-pound loan on just the terms he has agreed to—10 shillings a week plus interest.

So the credit committee approves the Feeneys’ loan. They sign the application and give it back to the treasurer.

Next day treasurer O’Casey calls the Feeneys and says “your money is ready. The credit committee approved your loan last night.”

Now you see what the Feeneys have done. They own only one share in the credit union—that is, they have saved one pound so far. But they have borrowed twenty pounds, twenty pounds saved by their fellow members in the credit union, and they have turned that money to good use to buy a sewing machine. Isn’t it plain that this truly is a way to put people’s money to use in a credit union?

But what about the people who saved the money that the Feeneys borrowed? Is their money safe? In a credit union their money is safe. First because it is loaned to friends of theirs, the Feeneys, people whom they know. The money is safe, secondly, because all the members of the credit union have elected a five-man board of directors who meet monthly to administer the affairs of the credit union. And the money is safe, thirdly, because the members also have elected a supervisory committee which regularly runs an audit of the credit union’s books to see that all money is properly accounted for.

In this story of the Feeneys in Dublin, Ireland, you see people's money at work in a credit union. But you also see people themselves at work. Look—here are the treasurer, the credit committee, the board of directors and the supervisory committee. Only one of them gets paid for his credit union work. That's the treasurer because he keeps the office open every afternoon and evening. The rest of the people work for the credit union as a labor of love.

Scattered over the world are about twenty-five thousand credit unions. Some are much larger than the one in Dublin, Ireland; some are smaller and younger. But the principle is the same everywhere—people put their money to use. They save their money so that they and their friends may borrow. And these credit unions in Ireland, the Fiji Islands, Ghana and New South Wales have a coordinating organization in CUNA, the Credit Union National Association which I represent. Though our name describes us as a national organization, we are truly international. Our members are credit union leagues in forty-nine of the fifty states of the United States; leagues in nine provinces of Canada; in Puerto Rico, Chile, New South Wales, Fiji, Trinidad, Jamaica, British Guiana, British Honduras. We are still growing more international. Only two months ago the Peru Credit Union League was voted into membership in CUNA.

CUNA belongs to all of these "leagues." We are a service organization working for the leagues. They pay for our services by dues based on a certain amount per year per member within their league. For these leagues we produce operating and promotional materials; we work for legislation and help local leagues plan their own legislative programs; we show them how to organize credit unions; how to educate the members of the credit unions that this is the place where they, the members, can put their money to good use; we provide fidelity bonding insurance to guard against loss to the members through theft or mishandling; we work with national publications on a public relations program; we have our own supply cooperative which prints to custom order any kind of promotional piece which a credit union anywhere in the world may ask for; we have our own mutual insurance society to insure collectively the lives of borrowers to the extent of their loans and add life insurance to the savings of the members.

Wherever leagues now operate, CUNA works for credit unions through those leagues. But in any country where there is not a credit union league, we work with credit unions through our CUNA World Extension Department.

Right now we have active World Extension work going on in these countries:

Hong Kong	Italy	Ecuador
Indonesia	England	Bolivia
Burma	Sweden	Argentina
Samoa	Poland	Haiti
Mexico	Denmark	Sierra Leone
El Salvador	Israel	Ghana
Nicaragua	India	South Africa
Panama	Malaya	Kenya
Columbia	Korea	Mauritius
Bahamas	Switzerland	France
Brazil	Philippine Islands	Sicily
Paraguay	Siam	Ireland
Chile	Caroline Islands	Norway
Dominican Republic	New Zealand	Finland
Angola	Guatemala	Czechoslovakia
Nigeria	Honduras	Netherlands
Belgian Congo	Costa Rica	Pakistan
Tanganyika	Venezuela	Ceylon
Spain	Dutch West Indies	Scotland
Germany	Cuba	

Our active work in these countries has created interest in other countries. Many of them have sent students to our office in Madison, Wisconsin, to learn more about credit unions. Some of the countries shown just recently on our visitors' log book in Madison are:

Sweden	Samoa	Indonesia
Several Pacific Islands	Cuba	Japan
Malaya	Ghana	Panama
Finland	Uganda	Venezuela
West Indies	Philippine Islands	Yap (Caroline Islands)
Basutoland	Vietnam	Poland

Probably somewhere in this list of countries most of you have heard the name of your own country mentioned. So you know from this that there is some kind of credit union activity now going on between CUNA and your fellow countrymen. Credit unions can be organized among the people of your country, across political or geographical lines. After all, this credit union idea is a part of the entire cooperative principle, the people's movement idea such as

yours. The credit union commodity is money—the savings and the loans of people of the world.

To promote thrift is the number one objective of credit unions. To teach people to save money is universally accepted as right and proper. In a credit union, the people have to work with what they've got. Like the Feeneys from Dublin, Ireland! They needed 20 pounds to buy a sewing machine. They were able to get that money from their credit union where they and other people had put their money to work. But if the money was not available immediately, the Feeneys would have to wait until their friends saved more money. There is no national or international funding source for credit unions. Governments do not provide them with money. Credit unions may grow slowly, but they grow firmly.

The second objective of credit unions is to make loans reasonably available at reasonable rates of interest. Again take the Feeneys. They wanted a sewing machine. They got their money immediately at the lowest possible interest rate at which they could borrow.

May I insert here a word on installment credit. It is not the purpose of the organized credit union movement to force people into perpetual debt. But our experience and the experience in all countries where credit unions operate proves that credit, wisely used, can be a great boost to a nation's economy. We believe that credit, handled through credit unions, is a good thing for any area of the world.

Standards of living for families and individuals are improved through wise use of credit. Again let's go back to the Feeneys in Ireland. The only way for them to own a sewing machine immediately was to buy it with credit. For them, this was wise use of credit, and their standard of living was improved because of it.

You might like to know how this credit union idea became international. The principle of the cooperative use of money grew out of the same ferment that started the cooperative movement in England. Our principles are basic cooperative principles. But the organization itself, the credit cooperative, started in Germany about one hundred and ten years ago in the mind of Friedrich Wilhelm Raiffeisen. He organized credit cooperatives among rural communities and established the local community as a common bond for credit cooperative organization. Then another German named Herman Schulze-Delitzsch adapted Raiffeisen's ideas for small German towns and made credit unions urban.

From Germany the principle spread to Quebec, where a legisla-

tive reporter named Alphonse Desjardins introduced it to French-speaking Canadians. As the common bond for his caisses populaires, he used the Catholic church parishes, thus establishing people's association as a common bond for credit cooperative organization.

We in the United States received the credit union idea in 1909 through the help of Mr. Desjardins and through the enthusiasm of Edward A. Filene of Boston. Mr. Filene already had the germ of the credit union idea from credit cooperatives which he had seen in India during a world tour, but the technique came from Desjardins' caisses populaires of Canada. Mr. Filene's idea was that credit unions could also be organized on a basis of common employment. This, among industrial workers in the United States, became the third foundation of credit union organization—the common bond of employment.

Credit union people are missionary minded. We feel that credit unions represent a "self-help" technique in personal and family finance that can be beneficially adapted any place by people at any economic level.

May I close with what we in the United States call a "commercial." In this instance, I am a salesman. This product (the credit union) is a good one; one that you ought to have. If you'd like to know more about it, write or contact us at CUNA, Madison, Wisconsin, USA. We'll do all we can to help you help the people of your own country put their money to good use in their own credit unions.

Putting People's Money to Use Through Mutual Funds

GALEN VAN METER
President, Galen Van Meter & Co.

FOR practical purposes a "mutual fund" is an investment instrument created by the Investment Company Act of 1940 and described therein as an "open-end diversified management investment company".

"Open-end" means that the fund continuously issues shares at net asset value which are sold to the public usually plus a sales charge of about 7½% and repurchases such shares on demand at net asset value. Net asset value is determined by valuing all investments in

the portfolio at their current market prices and dividing such total market value by the number of shares then outstanding. This is done at least daily on days when the security exchanges are open. "Diversified" means no more than 5% of the fund's assets may be invested in the securities of any one issuer. "Management" means the fund employs professional investment managers to handle its investment portfolio. "Investment company" is the legal name for all mutual funds including closed-end funds and other investment instruments which do not concern us today.

This description makes these points—first, a mutual fund is highly liquid in that net asset value will be paid the holder on demand. Secondly, due to wide diversification and professional investment management they have strong elements of safety. There are other features you should know about.

Mutual funds have two basic contracts—one covering investment management and the other covering the distribution of their shares to the public. They are also required by the Investment Company Act of 1940 to:

1. Have a Board responsible for policy and management decisions of which at least 40% of the members must be completely independent of any affiliations with the investment manager or the distributor.
2. Appoint a custodian to retain possession of all of their assets at all times. This is usually one of the larger Eastern banks.
3. Employ independent certified public accountants to prepare reports for shareholders at least semi-annually.
4. To make no change in investment policy or any material change in the management or the character of the fund without the affirmative vote of a majority of the shareholders.
5. Send a current "prospectus" to all shareholders.

Prospectuses contain complete information and are brought up-to-date at least annually and more frequently if there has been any material change. A mutual fund may not be offered to a prospective purchaser unless he is first given a "current" prospectus.

A mutual fund may only issue common stock—never bonds or preferred stock. The law allows mutual funds to borrow a limited amount from banks but very few take advantage of this and, if they intend to do so, must spell this out in the prospectus.

From the foregoing it can be seen that a mutual fund operates in a goldfish bowl. Both old and prospective shareholders are kept fully

informed. There are no secrets, nothing is concealed. I assert that a mutual fund is an honest product.

Mutual funds are sold to people in two ways—as “lump sum” investments and in “accumulation plans” which call for regular investments, usually at monthly intervals, and for reinvestment of dividends and distributions. This latter method is particularly appropriate for “Putting People’s Money to Use Through Mutual Funds”, and is growing in popularity. It encourages systematic savings—which is a “must” in a family estate building program.

What I have been describing is the mutual fund as it must be under the Investment Company Act of 1940. The first American investment companies with similar characteristics, including the “open-end” feature, were formed in Boston in 1924. By the end of 1929 there were 19 such funds with combined assets of \$140 million.

With the collapse of securities prices which began in 1929 “open-end” investment company shareholders suffered a drastic loss in the market value of their shares. However, such losses were less than the drop in average stock prices, and in every known case dividends were paid throughout the depression. Moreover, an accumulation plan in one of the major funds, if started in 1929 or earlier and continued with regular monthly payments, would have shown a profit long before the end of the decade of the 1930s.

This commendable performance during the worst bear market ever experienced led, during the 1930s, to the formation of many new “open-end” investment companies. When, in the late 1930’s, the S.E.C. conducted its broad investigation of the investment company business, it found virtually no instances of dishonesty or management abuses among the “open-end” companies. In fact, many of the provisions of the Investment Company Act of 1940 were based on practices mutual funds had followed from the start.

Growth of mutual funds since the passage of this constructive legislation has been spectacular. In 1940, 296,000 shareholders owned \$448 million of mutual fund assets. Eighteen years later, at the end of 1958, approximately 3 million shareholders held over \$13 billion in assets—ten times as many people owned thirty times as many assets.

This popularity of mutual funds and particularly the wide acceptance of accumulation plans point up another strong feature—there is a constant supply of new money available for investment; whether the markets are low or high. This allows investment managers a chance for constructive maneuver not present otherwise.

Mutual funds have somewhat different investment policies, the details of which are given in each prospectus. Generally the tendency is to stress in various degrees the ideas of "safety", "income" and "growth". However, the significant investments are practically always common stocks and it is from this viewpoint that I will continue my discussion.

My assigned subject is "Putting People's Money to Use Through Mutual Funds". Now why should this be a part of the examination of "The Role of Cooperative Insurance Companies in the World Economy"? I cannot speak for the world but it seems to me to be a most appropriate subject for American companies.

To a greater degree than in any other business insurance companies have a direct and continuous line of communication to the family unit. Please think about this for a minute. Is it not important? Also, in a very real sense many policy holders are partners in the business. They participate in the ups and downs of insurance operations. This unique relationship with the family unit—continuous communication and participation—provides opportunity for service that is not found in any other business. By the same token it charges insurance companies with responsibility—a responsibility to be aware of and to try to do something about the problems of the family such as those created by inflation, retirement and others resulting from the environment in which they live.

Mr. Raymond W. Miller, in his recent book "Can Capitalism Compete" quotes from a speech he made to executives of the Life Insurance Companies of Massachusetts in 1950. He said this:

"How can you even now sit calmly by and see the real worth to the family of your commodity—the dollar—decrease day by day and make no attempt to correct the evil inflationary trend of our times?"

Have you ever considered that it is your obligation and your privilege to help make sure that the social order under which you operate continues to preserve the virtues of a free society? I make no plea for you to rush out and protect some vested interest, or to crusade for some outmoded ideal, but I do suggest that you have a great opportunity through the family to stress the basic community virtues of participation, communication, and cooperation, and reasonable economy in Government."

Fortunately, Mr. Miller overstated the case. Even back in 1950 a few insurance companies knew that problems existed and were aware

of their responsibility to help solve them. Subsequently, two major companies started to do something about it. In 1953 Nationwide took the positive step of acquiring a mutual fund and now includes this service among those available to the family. At about the same time, Prudential started an effort to legalize "variable annuities". They have made progress, but much time will pass before this insurance product is available to the national market. I am all for variable annuities, but I want to emphasize that a mutual fund can, in my opinion, render as broad a range of service to the family unit as can be provided by "variable annuities" and probably can do so at a lower cost. Moreover, mutual funds are doing this right now and on a national basis.

What are these services? Let us relate them to the problems we have referred to—inflation, retirement, the environment.

As for inflation, this has been man's recurring burden throughout the world and over the centuries. As a creator of instability and misery it stands second only to war. Of course, insurance companies should fight the causes of inflation. Perhaps we can lick it. Certainly we should try because no one wins by inflation. But if we can't—what then? If the cost of living goes up people need more income.

If they own mutual funds they will probably have more income.

Now I am not going to bore you with the detailed statistics of how common stock prices and dividends as measured by the indexes compare with the cost of living index. But I will summarize such data for you. In the period 1900 to 1958, the cost of living in the United States increased less than three times while common stock prices advanced over ten times and dividends almost eight times.

In the current Monthly Letter of the First National City Bank "depreciating money" is analyzed. These data show inflation at work in 35 nations for the period 1948-1959. Without exception the purchasing power of money declined:

In the five countries with the most stable money which were Portugal, Switzerland, Belgium, Ecuador and Germany the average decline in purchasing power was	11.8%
In the United States	17 %
For the middle five which were United Kingdom, Norway, New Zealand, Japan and Spain the average was	39.2%
The money of the bottom five — Brazil, Argentina, Chile, Paraguay, Bolivia — declined by	90 %

People have needed an inflation hedge. Mutual funds have provided this protection. They can also work effectively in other areas.

People need money for many family reasons—to educate and marry children, to invest in a home or business, and particularly, for retirement. For these purposes the more money the merrier—an excess beyond that needed to offset inflation, should inflation continue, would of course, be welcome. And it should be emphasized that American business has demonstrated that it can increase earnings and dividends at a rate faster than the decline in the purchasing power of the dollar.

What factors account for this dynamic growth. Increased population and shifts in employment from farm and factory to the more stable service industries are obvious answers. More important—businesses do not pay out all of their earnings as dividends. Typically from $\frac{1}{3}$ to $\frac{2}{3}$ of net income is retained and invested in the business. These funds, plus others obtained through customary financial channels, are used for research to improve technology, product and market, and to purchase building, machinery and equipment, all of which is intended to improve “productivity”—a term used to measure the amount of goods man can produce by his labor over a given period of time. In the United States industrial productivity has increased at an average annual rate of approximately 3%—it has doubled about every 24 years.

Increased productivity is real growth. The same labor force produces more goods to be divided among the same population. It is the creator of higher wages, larger family income, business prosperity and the opportunity to continue to improve productivity. Mutual funds grow as America grows.

I have been trying to convince you first, that mutual funds can provide a hedge against inflation and secondly, that they have a growth potential which can express itself with or without inflation. For these reasons they belong as a fundamental part of every family's estate—they can help round out the family financial plan which certainly includes insurance and probably includes social security, a pension plan, government savings bonds and savings accounts, all of which are present or future claims on a fixed number of inflation-threatened dollars. As an investment in an estate building program, mutual funds have demonstrated their effectiveness both as an inflation hedge and as a stimulant to even greater growth of capital and income.

In these times of international tensions mutual funds also help build good citizens for the United States and for the free world. Let us examine this idea.

The world is in revolt—or at war. Three-quarters of the world's population refuse to accept continued poverty, ignorance and ill health as their natural state. They demand a better life. As to the war, in some places blood flows, in others the weapons are of an economic, emotional or psychological nature. But the intention of the enemy is always clear—he wants to convince the uncommitted and to bury the free; he wants to dominate the world.

Here in North America we have created a way of life that differs in some respects from that of the other free countries. It has been called many things including the welfare state, free enterprise, service capitalism, and people's capitalism. Call it what you will, it can confidently be described as a way of life in which opportunity is available to all people freely to select the path they want to travel and to reach any heights that their talents justify. Neither we nor the free world can afford to have us stand still or drop back. We must continue to improve education, productivity, health and leisure opportunities for the benefit of our people and we must continue to help other nations help themselves.

It is my contention that anyone who feels he is fully participating in this kind of constructive program is a good citizen and I further contend that a mutual fund shareholder is such a participant. Through his mutual fund he owns a piece of American industry. He has shown a propensity for thrift and a sense of family responsibility. He expects to share the responsibilities and enjoy the rewards of our affluent society. The actions of management, labor, or the politicians which affect the economy concern him *and he knows it*.

Before he became a mutual fund shareholder he was given a prospectus which listed all of the investments of that particular mutual fund. Subsequently, he receives annual and semi-annual reports, which include the list of investments in industry, comments by the Chairman, a report from the distributor, an accounting from the investment manager and the certificate of the independent public accountant. This adds up to continuous economic communication between the mutual fund and its shareholders. It is, I believe, a convincing demonstration to the shareholder that he shares the American dream and that it is a duty and privilege to share our plenty with others.

If you have surmised from what I have said so far that I am somewhat prejudiced in favor of mutual funds you are absolutely right. I am also prejudiced in favor of insurance and credit unions and all forms of cooperative financial activities, which, of course, include mutual funds.

I also believe in liberal leadership and as I am aware of the quality of the leadership now functioning in the insurance business I am confident that the insurance industry will continue to move forward and finally take full advantage of the many opportunities available to it by virtue of its unique relationship to the family unit.

The International Cooperative Bank

H. W. CULBRETH

Vice President-Human Relations, Nationwide Insurance

MY subject, the International Cooperative Bank, and the theme of this meeting, "Insurance Plus," are, it seems to me, directly related.

"Insurance Plus" opens wide the horizon of our thinking. It challenges us to look beyond insurance to discover how our insurance resources can make their maximum contribution to a peaceful world. It focuses our attention specifically this morning on how we are to put people's insurance money to use in the best interest of people.

The greatest need of people is for peace. People everywhere are coming to recognize war for what it really is—a social disease. They are learning that just as bacteria cause physical disease, so do the bacteria of poverty, sickness, and ignorance cause the social disease of war. And they are beginning to believe that just as the human race has developed vaccines to eliminate polio, smallpox, and diphtheria, so also they can produce social vaccines to eliminate the causes of war. In many areas, one of the causes of war, illiteracy, has almost disappeared. In other areas, entire populations have slowly emerged from poverty. In still other areas, disease is retreating under the attack of medical science.

Success in overcoming poverty, sickness, and ignorance has encouraged people to redouble efforts to develop a social vaccine against war. Is it too much to suggest that people's money—cooperatively used—can be the basic component of such a vaccine? For people have found that by pooling their money cooperatively they can move away from poverty. More specifically, for us, they have found that through cooperative insurance they not only obtain protection against many of the hazards of life, they also mobilize hundreds of millions of dollars. This brings us, as cooperative management, face to face with the responsibility for handling this money.

We must use it in the people's interest. This requires us to invest much of our assets in mortgages and securities of government and industry, just as other insurance companies do. But our companies have gone much further. We have invested in various types of cooperatives within our own countries. And now we are in a position to go even further. "Insurance Plus." And it is for this reason that I believe the International Cooperative Bank will have special interest for you.

The ICB was established in Switzerland and started operations in the latter part of 1956 to help cooperatives obtain long-term credits.

As you undoubtedly know, national cooperative banks have been operating for many years in Europe. These banks met for many years as members of the International Banking Committee, an Auxiliary of the International Cooperative Alliance similar to our Insurance Committee. The International Banking Committee has recommended establishment of reciprocal banking arrangements between the national cooperative banks of several countries. I understand that the Committee also considered establishing an international cooperative bank. However, no recommendation for doing this has been presented to an ICA Congress.

STEMMED FROM MARSHALL PLAN

The present International Cooperative Bank in Switzerland emerged from a completely different sequence of events—events connected with the Marshall Plan.

The ravages of World War II left many countries of Europe with the acute need to rebuild railroads, highways, and harbors. Many pre-war facilities for industrial production had been almost wiped out. The financial solvency of several governments was threatened. The European people suffered terrific shortages of basic consumer goods—food, clothing, and shelter. Many grew impatient with their government, blaming it for continued hardships. In several countries, communists exploited these conditions, and many voters marked the Communist ticket. In some countries the communists gained enough strength to seriously impede rehabilitation efforts.

The United States government responded to this post-war distress with the Marshall Plan. At the suggestion of General George Marshall, Secretary of State, the governments of Europe worked out procedures for allocating U. S. government funds and technical assistance. These Marshall Plan funds were used to repair public facilities, to strengthen

the finances of governments and banks and to renovate facilities for industrial production.

After two years of the Marshall Plan, it was agreed that Europe had made a most encouraging financial and economic recovery. On the other hand, a comparable recovery had not been achieved in the political and consumer spheres. People were still suffering from shortages of consumer goods and, largely because of inefficiencies in distribution, goods which were available were priced beyond the consumer's reach. Communists continued to exploit the situation and in several countries seriously threatened the democratic form of government.

Before the 1951 Congress of the ICA in Copenhagen, Mr. Lincoln learned that Marshall Plan officials had become alarmed at this lagging behind of the political recovery and that they realized it was providing communist ammunition. Marshall Planners had responded by earmarking funds for improvements in distribution to try to get consumer prices down. Somewhat to their surprise they had discovered that there were not many applicants for these funds. This was partly because many of the distributors were not free to experiment with new methods of distribution, particularly of pricing. They were prevented by cartels and trade associations from reducing retail prices of the goods they handled to increase the volume of their sales to consumers. This, of course, had the effect of limiting the amount of goods consumers could buy.

These Marshall Plan officials told Mr. Lincoln that funds for improving distribution were available to consumer cooperatives on the same basis as they were to other distributors. At least one official knew that the consumer cooperatives of Europe had originated in protest against the wide profit margins of private distributors and, upon this basis, had built facilities through which a sizeable proportion of consumer goods was then being distributed. He expressed the hope that cooperative leaders of the United States would inform European cooperators of the desire of the U. S. government to use the Marshall Plan to increase the adequacy and efficiency of distribution.

Mr. Lincoln brought this matter to the attention of European cooperatives at the Copenhagen Congress in 1951. At a luncheon meeting he reported to leaders of West European consumer cooperative wholesales the concern which U. S. officials had expressed on distribution. He suggested that any cooperative wholesale interested in obtaining Marshall Plan funds should apply to its government. He

also said he was sure cooperators in the United States would do what they could to get their government to approve such an application.

Following the Copenhagen meeting, the Cooperative League formally offered to provide every possible assistance to European cooperatives in obtaining Marshall Plan funds. The League appointed me to represent it in this undertaking. Since 1951 I have worked closely with cooperative leaders in both Europe and the United States in carrying out this assignment.

CO-OP APPLICATIONS STYMIED

During 1952 and 1953 a number of the cooperative wholesales applied to their governments for Marshall Plan funds. They notified us of these applications. We followed through with Marshall Plan officials of the U. S. government in Europe and were assured by them that they would approve such applications if and when they were brought to them by European governments. With one or two notable exceptions, the U. S. government was never requested by a European government to act upon such an application. The reason was obvious. European governments gave other applicants for Marshall Plan funds higher priority than they did to cooperatives.

Toward the end of 1952 it became increasingly evident that very little Marshall Plan money would find its way to consumer cooperatives. However, Mr. Lincoln made a final effort to get the active support of our U. S. government in this matter. He and I called upon President Truman. The President assured us that Marshall Plan funds were available for improving distribution facilities and that consumer cooperatives in Europe should be able to obtain them. Even with his support, however, the cooperatives were unable to obtain Marshall Plan funds through their own governments.

This failure led to the idea of establishing a European cooperative bank. Cooperators in the United States were convinced their government would make funds available to consumer cooperatives in Europe to help them lower the cost of goods to consumers. If Marshall Plan funds could not be channeled through the European governments, perhaps they might be supplied to a central European bank which cooperators might establish as a private bank. The bank, in turn, would make the funds available to consumer cooperatives. European governments would, of course, have to approve such a banking operation, but it was not anticipated that such approval would be more difficult to obtain than it would for any other private bank.

When this idea of an international cooperative bank was proposed to the top Marshall Plan official in the Eisenhower government, Mr. Harold Stassen, he accepted it with considerable interest. He followed through by asking our Congress to earmark \$5 million for the bank. Action on this request was postponed by Congress, but Mr. Stassen felt so confident that the next Congress would grant the request that he made Marshall Plan money available for a study to determine how the earmarked funds would be used in establishing and operating the bank.

BANK STUDY COMMITTEE SET UP

European cooperators proceeded to set up a Bank Study Committee. Mr. Albin Johansson, President of the Swedish Cooperative Wholesale, was elected Chairman. Dr. Max Weber, former President of the Swiss Cooperative Bank, as well as former Finance Minister of his country, did much of the required technical work in Europe for the Committee. A firm of economic consultants in Washington, D. C., Checchi and Company, handled the work for us on this side of the Atlantic.

In 1954, the Bank Study was completed. It documented for the first time the need for an international cooperative bank. Several aspects of this need had been well known in cooperative circles for many years. However, the Bank Study acquired added significance because it was financed by the U. S. government, it was conducted by the Bank Study Committee of European cooperators, and it made a definite proposal to establish and operate an international cooperative bank.

Several of the facts brought out in this Bank Study were most interesting. The Study presented statistical evidence that consumer cooperatives constitute a most important segment of the European economy—important not only because of the number of people they serve but also because of the influence they exert on the rest of the distribution system.

Consumer cooperatives in Western Europe had more than 22 million members in 1953. One-half or more of the families of Great Britain, Finland, Sweden, and Switzerland, and substantial proportions of the families of Denmark, Norway, France, Germany, Austria, Italy, Belgium, and the Netherlands were members of cooperatives.

These cooperatives had a retail volume of more than \$4½ billion. In several countries they had a large proportion of the total retail

trade. In Finland, for example, they had over 33% of the total retail trade; in Denmark, about 25%; in Sweden, about 18%; and in Great Britain, about 14%.

The influence of consumer cooperatives on the distribution system of Western Europe had been decisive in holding down prices, in curbing monopolies, and in introducing improvements in the technical efficiency of distribution through such improvements as self-service stores and pre-packaging of merchandise.

European consumer cooperatives had been particularly active as purchasers of goods in foreign countries for their consumer members. They had established an enviable record of firm opposition to international trade barriers and restrictive practices of all types.

The Bank Study pointed out that, because of their progressive policies in getting quality goods to their consumer members at the lowest possible cost, consumer cooperatives could play an ever more important role in revamping the distribution system of Europe. As the largest single group of retailers in their respective countries, they could effect the kind of dynamic economies that chain stores had introduced into the distribution system in the United States. Self-service, in particular, and also standardization, pre-packaging, and the basic operating principle of low margins to obtain high volumes, which had been pioneered by the consumer cooperatives in Europe, needed to be introduced on a much broader scale.

MUCH CAPITAL REQUIRED

To achieve these objectives, the Bank Study revealed that large capital investments would be required. In some countries the necessary capital could be raised by cooperatives within their own country. In fact, cooperatives in several countries not only had money enough to take care of their own requirements but also had surplus funds to invest outside of the cooperative movement. Cooperatives in other countries were far less fortunate. They lacked capital to improve and expand their distribution facilities. In one country, for example, experiments had proven that a \$2,500 investment in modernization of a retail shop resulted in an increased turnover of 20%. In another country, introduction of self-service increased turnover 60% with substantial reductions in operating expenses. Progress in making such improvements was slow, however, because of the difficulty of obtaining necessary financing.

The Bank Study revealed that the capital required to carry out

plans for improvement and expansion which had already been developed by the cooperative wholesales would total many millions of dollars. Finnish cooperatives, for example, sought to establish many more department stores and food stores and smaller numbers of warehouses and specialty stores, and to purchase additional refrigeration equipment and trucks. Cooperatives in the Netherlands wanted to establish 75 new food stores annually over a five-year period, one-third to be self-service. West German cooperatives planned to manufacture furniture, extend fish marketing, and produce bicycles. Icelandic cooperatives needed additional financing for ships and processing plants.

BANK STUDY RECOMMENDS ICB

The Bank concluded that unless consumer cooperatives in many European countries could obtain additional funds, they could not carry out their plans to increase the efficiency of their distribution facilities. The Study proposed, therefore, that an international cooperative bank be established.

The Study proposed further that such a bank might raise funds from several sources to make loans to these cooperatives. First, it would obtain equity capital from the sale of membership shares to eligible cooperatives, primarily the cooperative wholesales. Second, it would seek to obtain Marshall Plan funds. Third, it would offer deposit and investment facilities to cooperatives which had or could raise surplus capita. Fourth, it would offer bonds to cooperative insurance companies and banks which were permitted by law to purchase such securities. Finally, it would offer preferred stocks and bonds for sale on the private capital market to individuals and financial institutions such as pension funds and mutual investment trusts.

The cooperative wholesales which had taken part in the Bank Study indicated they could subscribe more than enough capital in membership shares to get the bank started. The next step was to get a commitment of funds from the U.S. government. For this purpose the completed Bank Study was submitted to Mr. Stassen in April, 1954.

This request for U.S. government funds encountered the delays which seem to be unavoidable in all governments. Mr. Stassen resigned as chief of the Marshall Plan program and was succeeded by a man who had no interest whatever in helping cooperatives either in Europe or the USA. In other words, our request bogged down in the U.S. government just as applications by European cooperatives for Marshall Plan funds had bogged down in their respective governments.

The completed Bank Study was submitted to the Johansson Committee at a meeting in London in November, 1955. It was reported to the European cooperators that the possibility of obtaining Marshall Plan funds for the Bank was becoming increasingly remote. This was due in part to the change in officials who administered the Marshall Plan, but also to the amazing economic recovery which Europe had achieved. The U.S. Congress felt that whatever funds it made available should be channeled into other areas where the need was greater.

At this London meeting we did point out to the Johansson Committee, however, that if the Europeans felt the Study had established the need for an International Cooperative Bank, and should decide to proceed with their own resources to establish it, their action would undoubtedly strengthen the negotiations we were still conducting with the U.S. government. After a thorough discussion, the European cooperative leaders voted to proceed to establish the Bank. Final action to do so was taken in Switzerland on July 2, 1956.

MEMBERSHIP SHARES BOUGHT

More than \$310,000 in membership shares was subscribed by consumer cooperative wholesales in these countries: Sweden, Switzerland, Denmark, England, France, Germany, Austria, Holland, Iceland, Norway, Belgium, and Finland, with both of the Finnish wholesales, SOK and OTK, subscribing. The Nationwide Insurance Companies from the United States also subscribed. These subscriptions enabled organization of the Bank to proceed.

A Board of Supervisors was elected by the Bank's members as the official operating body. This Board consisted of Mr. Albin Johansson, of Sweden, as President, Mr. Harry Culbreth, of Columbus, Ohio, as Vice President; and Messrs. Cooke of England, Gauszell of France, Groes of Denmark, Wiederkehr of Germany, and Vuilleumier of Switzerland. Dr. Walter Kehl of the VSK, Switzerland, became Secretary of this Board.

The Bank was located at Basle, Switzerland, in the headquarters of the Swiss Cooperative Bank. The President of the Swiss Bank, Dr. Kung, was elected General Manager of the International Cooperative Bank.

In addition to the membership shares, the Bank has received a \$100,000 loan from the Fund for International Cooperative Development, an affiliate of the Cooperative League of the USA, and a loan of \$500,000 from a German bank. This gives the Bank total assets of

approximately \$940,000. These funds have been loaned to a number of the cooperative wholesales that hold memberships in the Bank. They have paid 4½% to 6% interest on these loans. The Bank earned 3.02% in 1957 and 3.92% in 1958 on its capital stock. All of these earnings have been put into a reserve account.

Achievements of the Bank to date have been extremely limited. Certainly a financial institution whose members have assets totaling millions of dollars and whose turnover is in billions of dollars have not moved very far together in purchasing only \$310,000 of share capital in the Bank and in providing altogether only \$940,000 in assets for the Bank's use. However, there is another side to this particular coin.

FOCUSES ATTENTION ON FINANCE

Organization and operation of the Bank have focused the attention of European cooperative wholesales as well as members of our Cooperative League upon the problem of finance much more than this had been done in the past. Cooperative leaders are realizing that, with few exceptions, cooperative growth will depend largely upon whether they can obtain increased amounts of long-term financing. Furthermore, these leaders have in the Bank an institution through which they may work together to obtain more adequate supplies of long-term credit. They are steadily gaining experience in the details of conducting an international banking business. Therefore, the size of the Bank is not in any way a true measure of its success or of its promise for the future.

Certainly those of us at Nationwide Insurance who have participated in the organization of the Bank feel that in it a step has been taken which will prove to be of great value to cooperatives worldwide. We are fully aware of the fact that our policyholders are holding us accountable for protecting from the ravages of war the substantial amounts of money they have entrusted to us. Therefore, we must do everything we can as a business organization to help build peace. Cooperatives offer the best method we have found for eliminating the economic causes of war.

From their very beginning our companies have invested in various types of cooperatives. This has turned out to be good business. We have never lost a cent on these investments. Therefore, we expect to continue investing in cooperatives within our own country. We would like also to invest in cooperatives in other countries and in coopera-

tives which will be international in their operations. As the ICB develops it will give us the vehicle through which to make such investments.

DAWN OF A NEW ERA

The birth of the ICB coincided quite fortunately with the dawn of a new era in inter-European trade. Before the Bank's second birthday, the convertability of European currency had been largely achieved. First steps had been taken to get the Common Market into operation. Plans were under way to remove trade restrictions in the entire 17 nation Free Trade area. Besides the immediate effect upon the European economy, these steps will surely open up new areas of trade between Western Europe, Canada, and the United States.

This dawn of a new era in trade between nations raises the question of whether cooperatives in the North Atlantic Community will continue to lead in removing trade barriers. Part of the answer lies in the concept cooperatives themselves have of their role in our economy.

Few, if any, cooperative leaders believe that cooperatives are fully performing their economic function. The economic vitality of Western Europe has merely screened from public concern the fact that the level of living of many consumer groups in the North Atlantic area is far lower than the potential resources warrant. In some cases this is because farmers and workers cannot get out of the production system the incomes they need. In other cases it is because distributive inefficiencies prevent consumers from getting the goods they need.

In our North Atlantic Community, cooperatives have merely made a good start in providing the competitive yardstick needed to insure continued economic growth. The limited return which cooperatives pay on their members' capital must continue to exert increased pressure upon the drive for excessive returns paid by profit corporations to investors. Finally, cooperatives have the great opportunity to develop effective member control as proof that democracy can work in business as effectively as it does in government. Through this contribution alone cooperatives may serve best the growth and development of our democratic form of government.

COOPERATIVES MUST GROW

Thus we see that the dawn of a new era of economic development in the North Atlantic Community calls for a new era in the growth

and influence of cooperatives. However, a realistic appraisal of cooperatives does not give us the encouragement we might desire. True, consumer cooperatives have gained a substantial share of retail distribution in most European countries. Their achievements have not been paralleled in Canada or the United States. On the other hand, in these two North American members of the North Atlantic Community, farmer and credit cooperatives have gained a larger share of their potential than similar cooperatives have achieved in some countries in Europe.

The growth of cooperatives in the recent past—consumer, agricultural, or credit—has not kept pace with the growth of competitors of cooperatives. Obviously, then, cooperatives must step up their rate of growth substantially to make the contribution to the economy of which they are capable.

This stepped-up rate of growth will depend largely upon whether cooperatives can acquire access to long-term capital in increasingly large amounts. Some cooperators have tended to ignore this problem. They have slowed down their growth to the availability of capital. However, for the cooperatives whose leaders accept the challenge suggested above for influencing the total economy, the need has certainly arisen for consideration, far more serious than ever before, of the long-term credit requirements of cooperatives.

Some of these leaders have already tackled this problem within the framework of the ICB. It is hoped that many others will join them. Let us consider what they might do through the ICB.

These leaders may find that their cooperatives in the North Atlantic Community need to develop the ICB into a long-term financial credit institution similar in scope and operation to the World Bank. Like the World Bank, the ICB would be an institution of members. In the case of the ICB, however, its members would be cooperatives; in the World Bank membership is limited to national governments. If so, the ICB might work as follows:

First, the ICB would expand its equity capital both by obtaining additional subscriptions from present members and new members.

Second, the ICB would raise additional capital by the sale of its bonds and other types of securities to such long-term institutional investors as insurance companies and investment trusts.

INSURANCE CO-OPS CAN HELP

If the cooperative leaders now working together in the ICB should decide to foster the growth of such a cooperative finance institution,

where would they turn for help? It seems quite obvious they would turn to the cooperative insurance companies. They would do this for several reasons: (a) because the cooperative insurance companies have more assets than other members of the cooperative family; (b) the cooperative insurance companies prefer long-term investments to avoid the necessity of frequently reinvesting their assets; (c) from years of experience in making loans to cooperatives, they have learned more than any other financial institution of the special financial requirements of cooperatives. They know, for example, that cooperatives often place so much emphasis upon low interest rates that available funds go to their non-cooperative competitors.

Furthermore, cooperative insurance companies can help develop sources of long-term capital for cooperatives outside of their own institutions. One source might be other insurance companies. Another would be the public market for long-term investments. For example, our own Nationwide organization, within the last three years, has sold \$15 million in common stock of our life insurance holding company, \$2 million in the common stock of our building affiliate, \$1 million in common stock of our automobile finance affiliate, and, as Mr. Van Meter has already pointed out, our insurance agents are finding that the public with whom they have contacts will purchase mutual fund shares in substantial amounts.

Thus, the ICB might well be the institution through which cooperative insurance companies would establish close working relationships with leaders of other kinds of cooperatives in a common effort to develop new sources of long-term capital. The insurance companies could do this by taking memberships in the ICB, by buying its bonds, and by helping the Bank sell ICB securities to others.

THE RAPIDLY DEVELOPING AREAS

Possibly the most urgent need of all time for cooperatives may be emerging in the rapidly developing areas of the world. This is because the Cold War has shifted from the military to the economic front. President Eisenhower has stated this quite categorically. So has Khrushchev.

This new Cold War front finds roughly one-third of the world allied with the Communist bloc, one-third with the democracies, and one-third uncommitted. The uncommitted third consists of the so-called underdeveloped or backward nations where people exist at a distressingly low level of living.

In these areas a ferment for better living is well under way. Millions of human beings are determined to "leap forward" to a better life. They expect to make within a few years improvements in food, shelter, and clothing that took the West centuries to achieve. The countries where these conditions prevail are becoming the rapidly developing areas of the world.

It is in these rapidly developing areas that the struggle between communism and democracy may ultimately be decided. People in these areas will tend to adopt methods of economic improvement that have worked elsewhere. They will be offered capitalism by the West with guarantees of personal liberty and justice. They will be offered communism by the East with promises of speed and effectiveness in raising the level of living.

The rapidly growing countries do not want capitalism with a capital "C". This is because their experience with capitalism has been mixed with colonialism. They associate it with economic exploitation rather than with efforts to improve their standard of living.

These countries are equally reluctant, however, to accept Communist economic methods. They have observed, and in many cases know from personal experience, that communism robs the individual of personal freedom. But this objection is often brushed aside by the relentless pressure for better living conditions.

Many of these rapidly developing countries are looking with great hope to the West for a new idea to use in achieving economic progress. The West has failed to produce such an idea. This failure was stated quite flatly by one of our leading journalists, Joseph Alsop, as the basic reason for the decline of the West's position.

THE IDEA OF COOPERATIVES

The West *could* offer the rapidly developing areas a new idea—the idea of cooperatives. With more than 100 years of development in the North Atlantic Community, the very idea of cooperatives may seem somewhat shop-worn to us. The idea has also been used or misused to a limited extent in a few of the rapidly developing countries. There is a vast difference, however, between the use made of the cooperative idea in the West and the use to which it must be put to achieve maximum results in the rapidly developing countries. This is a difference between a limited and a total use of the idea.

The West has limited its use of the cooperative idea to distressed or submerged groups of people. In Europe this group consisted pri-

marily of workers. They used consumer cooperatives to get more goods with their limited purchasing power. In the United States and Canada, the distressed group consisted of farmers. They used marketing cooperatives to get better prices for their products and used purchasing cooperatives to obtain at lower costs the supplies they needed in farming.

Each of these types of cooperatives has been strenuously opposed by the dominant economic group of the society in which it emerged. This dominant group was blindly committed to profit capitalism as the only economic method which a democratic society should tolerate, regardless of what happened to such distressed groups as farmers and workers.

Profit-capitalism has not been able to stop the growth of cooperatives on the competitive economic front. It has tried every known method of doing so. Its failure on this front has prompted it to open an attack against cooperatives on the government front. The profit-capitalists have mobilized public opinion against cooperatives. They have accused cooperatives of being tax dodgers, and of being socialistic or even communistic in their non-profit method of cooperation.

This public opposition to the idea of cooperatives, as it was being used by only farmers and workers, has expressed itself in the governments of our Western nations. In many instances our governments have blocked the expansion of cooperatives to serve all segments of the population instead of only the distressed groups. Cooperatives have lost many battles on the governmental front to their profit-motivated competitors. One example of this was their failure to obtain Marshall Plan funds in Europe.

WHERE NEED IS GREAT

Opposition on this front is not nearly so serious a threat to the cooperative idea in the rapidly developing countries of the world. The needs of the population are so intense that the governments of these countries are looking for whatever method promises the fastest and most effective results. For example, Indonesia has written into its constitution its intention of developing its economy on a cooperative basis. A somewhat similar commitment to use the cooperative method has been made by the government of India. There is reason to believe that in the rapidly-developing countries, the idea of cooperatives may well be accepted as the basic method for the total economy rather than for a distressed segment of it as has been the case in the North

Atlantic Community. Certainly this possibility opens doors for the development of cooperatives which will give the West an unparalleled opportunity to help these countries improve their standard of living by truly democratic, rather than communist methods.

It may be helpful to consider the needs for cooperatives which exist in India as an example of the opportunity for the rapid development of cooperatives throughout the rapidly developing areas of the world. An exhaustive report on the situation in India has been published by the government of that country. The report was prepared by a team of leading agricultural experts from the United States. This team was sponsored and financed by the Ford Foundation which has spent millions of dollars in India. Thus, the conclusions in the report are those of the best agricultural experts of the United States.

I shall quote from various parts of the report to give its conclusions as they apply to cooperatives:

“India is facing a crisis in food production . . . The crux of the problem is food enough for the rapidly increasing population . . . Adequate supplies of food may indeed be essential to the survival of democracy because freedom from hunger is a prerequisite to enjoyment of other freedoms . . . Present credit, marketing and supply services in the villages are a major deterrent to increasing India’s food production. Over 85% of the credit which cultivators use is provided by money lenders and other individuals. Only by cooperative effort with government assistance can the stranglehold of money lenders and traders be broken.”

The situation in India is similar to that in other Asian, as well as African and South American, areas. The people of these areas are living at extremely low levels. Their basic requirement is food, which creates the need for three basic types of cooperatives—credit, purchasing, and marketing.

Development of these cooperatives in the rapidly developing countries will require huge finances. Much of it must come from areas outside the countries themselves. Certainly the incomes of these cooperative members are much too low to provide more than very limited amounts of capital. Few cooperative banks or insurance companies in these countries have the capital for loans to cooperatives. Private banks are probably unable or unwilling to make such loans. This means that if the cooperative method of doing business is to be developed, the government will be forced to provide a major share of

the financing, and this will give government more control over cooperatives than the government itself wishes.

Non-governmental cooperatives exist in many countries. They recognize the need for greater independence from their governments, even though necessity will force them to work closely for many years with their governments. This group of non-official cooperative leaders offers the greatest opportunity for returns on the financial assistance which may be offered by cooperatives in the North Atlantic Community.

This financial assistance should be provided by the cooperatives of the North Atlantic Community directly to the cooperatives in the rapidly developing countries. It would thus supplement in a most important manner whatever assistance would be given to these countries on a government-to-government basis.

The ICB can serve as an important piece of machinery through which finances can be mobilized in the North Atlantic and made available to cooperatives in the rapidly developing countries. This would extend the operation of the ICB to a world-wide basis. This must be done if cooperatives are to make their maximum contribution to helping people in the rapidly developing areas achieve the leap forward to which they are becoming increasingly committed.

To the extent that this help is provided through the ICB and the cooperatives it helps to finance, people's money will be put to work building peace in the world. Thus, the ICB offers to our cooperative insurance companies a new opportunity to play a vitally constructive role in the world economy.

Expansion of Cooperative Facilities

A. L. BUSCH

Treasurer, Mutual Service Insurance Companies

IN this era of "big business", the problems of cooperative financing loom larger than ever before. If our cooperative institutions are to play a greater role in our present day economy, if they are to compete successfully with all manner of corporations that are constantly growing larger, cooperatives, too, must expand in size and strength.

There are, of course, many facets to this task of successful coop-

erative expansion; management problems to be solved, membership relation techniques to be improved and accelerated marketing programs to be developed, and so on.

Yet, underlying and interwoven with all these is the urgent need of our cooperative institutions for increasingly larger amounts of working capital. How to obtain this capital in sufficient amount, when it is needed, has always posed a difficult problem for most cooperatives. The very nature of a cooperative lies at the root of this problem and it automatically limits the access of cooperatives to the regular sources of investment capital.

For example, the statutes under which cooperatives are incorporated limit voting control to the cooperative's members, and this voting control is based on one member-one vote—rather than the number of votes being in direct proportion to the member's investment in the cooperative. To us, as cooperators, this principle of economic democracy is, of course, fundamental.

Then, too, the income appeal which cooperative stocks have to outside investors is decidedly limited, again because of the very nature of the cooperative, which requires that savings from operations be returned primarily to patrons in proportion to their patronage. Thus, there is virtually no opportunity for increased growth in value of the stock as a result of greater retained earnings, which is true in other types of business.

These, then, are at least two of the factors which make cooperative stock an unattractive investment to capital sources outside of the cooperative family.

Faced with these problems of capital acquisition, some cooperatives have attempted to solve it themselves in their own way.

As a representative of the Mutual Service Insurance Companies, I would like to discuss one way in which this capital problem is being solved by cooperatives in the Upper Midwest, an area including half-a-dozen states in the north-central portion of our country. Incidentally, this same area has the greatest concentration of cooperatives in the United States—so it is quite natural to find a development of this nature in this particular region.

Mutual Service, itself, is largely the result of the joint efforts of many local and regional cooperative associations who were seeking a solution to this ever-present need for investment capital.

Mutual Service was founded by cooperatives and cooperative leaders primarily to provide needed insurance service to cooperatives

and their members at a reasonable cost. But at the same time, it was envisioned as an excellent source of investment capital to finance cooperative growth and development.

Insurance companies, of course, are a major source of investment capital not only in this country, but the world over. But insurance companies generally have not been a ready source of capital for cooperatives, because of the factors I mentioned earlier, as well as others which we do not have time to develop here.

Our cooperative people in the Upper Midwest saw a solution to this problem in the creation of their own cooperative insurance organization. And it has worked out extremely well over the years—even better than they had anticipated.

Ever since its inception 25 years ago, Mutual Service has had as one of its major objectives the investment of its funds to assist in the financing of cooperative enterprise. In the beginning, when Mutual Service was getting started, the funds available for this purpose were extremely limited. Yet even then a substantial portion of its investment portfolio was devoted to cooperative development.

In this way, through their own insurance organization, cooperatives in this part of the country have been able to obtain millions in investment funds for their growth and development during the past 25 years. And, right today our outstanding investment in cooperative enterprise exceeds \$6,000,000.

Since Mutual Service is an insurance company, it must comply with statutory regulation of insurance company investments. Also, it must remain aware of its contractual obligations to its policyowners and be prepared to meet them. These requirements demand a more conventional approach to investment opportunities than our cooperative objectives would sometimes urge. Thus, the problem presents itself as to how we can continue to invest increasing portions of our available funds in cooperatives and at the same time adhere to the principles of sound investment standards.

We believe we have developed a unique but effective way of meeting this two-fold need in the creation of a new entity called the M-C-M Corporation.

M-C-M came into being about two years ago, as the result of the joint efforts of the top management of Mutual Service and two large regional cooperatives in our territory who are the original sponsoring organizations of Mutual Service, and with whom we have always worked closely. These are Central Cooperatives, Inc. of Superior,

Wisconsin—a consumer supply regional specializing in the grocery field; and Midland Cooperatives, Inc. of Minneapolis, Minnesota, a farm supply regional whose major sales volume consists of petroleum products.

These two regionals joined with Mutual Service to work out a plan by which their local member cooperatives could obtain greater volume of working capital, and which Mutual Service could supply in accordance with sound investment principles. The result was the M-C-M Corporation program.

The purpose of M-C-M is to develop and own real estate and other facilities; to leave these facilities to cooperatives for their operations and in this way provide them with working capital. This plan releases much of the capital cooperatives now have tied up in real estate and fixed facilities, so that it may be used as working capital.

We are aware that this idea is not necessarily new. Many large merchandising corporations employ it, but we believe this is its first major application for cooperative use. Mutual Service is the main source of the borrowed capital for M-C-M, and is able to participate more fully in cooperative loans in this manner than is possible through conventional methods.

For example, if a local cooperative applied for a loan on the security of its real estate alone, the lender would be restricted in the amount that could be loaned on the property—if sound investment standards are followed. Through the M-C-M plan, however, the loan is based not only upon the real value of the property, but upon the capitalized leasehold value as well. Furthermore, the regional cooperative together with the local, stands behind the lease as additional security. Because of these factors, Mutual Service is able to loan considerably more in a given situation than it otherwise could.

Briefly, the way it works is this: The local cooperative sells its real property to the M-C-M Corporation which in turn leases the facilities to the regional cooperative. Then the local cooperative sub-leases it from the regional for terms varying from 10 to 20 years. At the end of the lease term, the local cooperative has an option to re-lease the property or buy it back.

M-C-M purposely operates on a low net margin which consists of a small surcharge above the cost of the money required to finance the project. This margin covers the administrative and operating expenses of M-C-M. Rentals, of course, remain constant during the term of each lease.

Another advantage to the local cooperative is this: Cooperatives which sell their facilities and lease them back from M-C-M each year are refunded up to 90 per cent of the net margins of M-C-M which exceed the corporation's operating and administrative expenses.

The debenture notes issued by M-C-M Corporation against its equities in the properties held provide an attractive investment opportunity to both cooperative institutions and the investing public.

During its most recent twelve months of operation, M-C-M acquired or contracted for total property holdings valued at \$1,300,000. This freed over \$900,000 of cooperative funds for working capital—funds which had previously been invested by cooperatives in real estate or fixed facilities.

These dollars have helped to finance the development of two large new cooperative supermarkets, a cooperative fertilizer plant, feed mill, and farm supply store, to name only a few. From our experience thus far we see a tremendous potential in this program for the financing of cooperative expansion on a sound and tested basis.

There is, of course, a practical limit as to how far and how fast this program will develop. That limit, however, will only be determined by the availability of investment funds.

I don't mean to imply that all of our Mutual Service investment funds are in cooperatives. Actually, our investment program is three-fold: loans secured by first mortgages on homes, bonds issued by the federal, state and municipal divisions of our various governments and loans to cooperative organizations both regional and local—with M-C-M playing its part.

At present, Mutual Service has about 17 per cent of its investments in cooperative channels—which is a reasonable percentage in view of the need to maintain diversification and liquidity. I am also proud to say that in 25 years Mutual Service has never lost a dollar on any of its cooperative investments.

The dollar amount of our cooperative investments will, of course, increase as Mutual Service grows and its number of investment dollars grows along with it.

As our cooperatives improve in financial soundness, more of them will be able to meet the legal investment requirements of the insurance industry. This will mean that Mutual Service, as well as other investors, will be able to devote greater portions of their investable funds to meet those cooperative needs.

By working together at all levels, cooperatives can build their own

institutions that will go far toward supplying their capital needs. Furthermore, by maintaining efficient operations and being prepared to expand on a sound basis, many other sources of capital will be available to them.

Both of these approaches will continue to be necessary to hasten the day when cooperatives can play a greater role in the economy of this country and of the world. To help bring this about is both a challenge and a unique opportunity for our Cooperative Insurance Companies and we who serve them.

Investment of Cooperative Insurance Company Funds in the Financing of Housing

J. F. MIDMORE

General Manager

Co-operative Life Insurance Company, Saskatchewan

THE privilege of speaking to this conference is an honor for our small company and a personal pleasure for me.

Allow me to say a few words about the Canadian representation. You are aware that Canada is a country of two cultures and two languages. Our two national co-operative organizations, Le Conseil Canadien de la Co-operation and the Co-operative Union of Canada, work very closely together; both are members of the International Co-operative Alliance. May I say how happy we, of the English-speaking sector, are to have such good representation from the co-operative companies of French Canada. We are proud to present this evidence of our two-fold origin to you.

Housing is so often of national interest that this discussion, without consideration of government activity in both financing and building, would surely be incomplete.

It is natural that housing has become a matter of government concern. In various ways public authorities have taken appropriate action to assist in housing programs. In some of your countries the devastation of war has made housing a national crisis and has necessitated government action on an emergency basis. In older lands, greater housing obsolescence is a natural cause for increased government action.

In this respect we have been fortunate here. We have never experienced the destruction of our homes through warfare. Since much of this continent has been developed in this century, obsolescence is not as great a factor. In our prairie provinces there was very little settlement before 1900.

The long-term requirements of housing in Canada may prove interesting. A government-sponsored twenty-five year economic forecast predicts that we will require four million new housing units during the next twenty-five years. On the basis of our present population, which is slightly in excess of seventeen million, this is one new unit for every four to five Canadians. This ratio is so high because there are presently six million people in Canada under eighteen years of age who will be securing homes of their own during the next 25 years. This development will force our cities and towns to move into the suburbs at the rate of 100 square miles per year. This growth is the equivalent of two completely new cities comparable in size to Ottawa, our capital, which has a population of 335,000.

CENTRAL MORTGAGE AND HOUSING CORPORATION

The Government of Canada first showed concern for housing in 1918 when—under the War Measures Act—it made \$25 million available for loans for moderate cost housing. But it wasn't until 1935 and the passing of the Dominion Housing Act that the Federal Government entered the housing field on a continuing basis. In 1938 the first National Housing Act was passed. In 1945 Parliament established a crown corporation—a government agency—to administer Federal participation in all kinds of housing ventures; this organization is Central Mortgage and Housing Corporation.

To ensure that housing of good standard is built under the National Housing Act, the Corporation prescribes minimum standards for housing financed with NHA loans.

The Corporation establishes lending values on which the amount of loan is calculated. Under present regulations, the maximum loan amount that can be obtained under the NHA is \$12,800 for a single unit detached dwelling.

Houses built under the National Housing Act can be financed by insured loans through insurance companies, banks and other lending institutions that are classified as approved lenders, or, in some cases, by residual loans made by CMHC. The approved lenders advance funds to the builder or mortgagor, and the Corporation

insures the lender against loss. There have been virtually no cases of default since this program started. The current rate of interest on loans made under the National Housing Act is 6%.

Other appropriate regulations govern the building and financing of multi-unit dwellings of all sizes and types. A plan to provide housing for families of low income will be of particular interest. Housing built under these regulations is intended to serve roughly the third of our population with the lowest incomes. This type of housing is now provided by limited dividend companies whose shareholders are limited to dividends of 5% by C.M. & H.C. regulations. CMHC will make a 90% loan to limited-dividend companies for the purpose of building low-rental accommodations. A capital grant may be made by any government, private organization or person to a company, such grant to be applied to the cost of construction of the project. In some instances, municipal governments provide capital in the form of land and services.

CO-OPERATIVE HOUSING IN CANADA

Central Mortgage & Housing Corporation approves two types of housing co-operatives. One of these might be suitably described as a "Building Co-operative." In it the individual is the mortgagor. He is solely responsible for his mortgage; title passes to him upon completion of payments. In the other type, the individual builds up equity in his housing co-operative and may never receive individual title to his home. It is my understanding that this is the nature of most European housing co-ops. In both types, members of the co-operative are permitted to receive credit in the value of their homes or their co-operative for mutual labour which they provide in construction.

While the NHA co-operative program operates across the country, there are two provinces—Nova Scotia and Quebec—which have complementary legislation.

The Nova Scotia Housing Commission, which operates under the National Housing Act, has a helpful program which is designed to foster and assist housing co-operatives in the province, both from a physical and from a financial point of view. The Commission furnishes technical advice in the planning and construction stages and provides financing at an interest rate of 5½%. The money is made available to the Commission under a Federal-Provincial partnership, with the senior partner providing 75% of the funds.

In the Province of Quebec, provincial assistance to medium cost

housing amounts to an interest subsidy. Under the Quebec Housing Act—which is not designed specifically for housing co-operatives—the Province will refund half the rate of interest to any borrower whose loan is approved under the Act. This, in effect, means that borrowers in Quebec enjoy the low interest rate of 3%. The financing and construction of housing units entirely within the co-operative movement has been undertaken with greater success in this province than in any other part of Canada. The numerous housing co-operatives work closely with the caisses populaires which supply interim financing and with co-operative insurance societies which furnish long term funds. The largest urban housing co-op in Canada (800 units) is in Montreal. I hope that our French-speaking colleagues will tell you more about this significant development.

In Canada, 164,632 new homes were started in 1958. Since less than 5% of these were built on a co-operative basis, it is apparent that the co-operative contribution is negligible.

While Canadian Government regulations recognize housing co-operatives, citizens who choose to own their homes co-operatively often have difficulty getting their loans accepted by Approved Lenders. In centres of less than 55,000 population, CMHC will make a direct loan to a housing co-operative. But in centres of more than 55,000 the co-operative must get a written commitment from an Approved Lender to take over the individual mortgages on completion of the project before it can obtain a loan from CMHC. This means that, especially in the larger communities, co-operative housing development has been stifled for lack of funds .

In little more than acknowledgment of this challenge, our Company undertook to finance the Beaubear Housing Co-operative at South Nelson, New Brunswick. This undertaking was entirely independent of any assistance from any government authority. En route to New York I was happy to participate in the formal ceremonies opening this ten-unit housing development. We are proud that our Company was able to assist these ten young families to build good-quality homes through co-operative effort. Much of the labour was their own and interim finances were completely taken care of by their credit union. A large part of the building material was provided by their local co-operative. Their initial savings have amounted to approximately 25% on houses valued at \$12,300. This is a continuing co-operative which does not anticipate granting individual title to members' homes.

To continue our efforts we have now become approved lenders under the National Housing Act. Our Board has approved the granting of loans for co-operative housing groups.

At the present stage of our Company's development, we find it extremely difficult to offer our members a life insurance service that is much of an improvement over that offered by competitive companies. Consequently, as much co-operative philosophy is put into our investment policies as good sound business practices will permit. Four-fifths of our cash at the end of last year was deposited in credit societies or central credit unions. One-eighth of our invested assets is in co-op securities and co-op mortgages.

In these days of inflated prices and devalued currency it is more than ever important for the consumer to use his income dollars wisely. In its recent report on the threat of inflation in Canada, the Standing Committee on Finance of our Senate states:

“The tools to contain inflation are available—what is necessary is the will and determination of the people and the authorities to use them.”

In keeping with this thinking we of Co-op Life believe that the insurance premium dollars spent by individuals should serve two purposes: first, provide good-quality protection; second, help in the financing of co-operative enterprises of all kinds, including housing.

On Thursday afternoon, with C. O. Hovind, Norway, as panel moderator, Wallace J. Campbell, U.S.A., read a paper prepared by George Jacobson, U.S.A., on “Information, Idea and Personnel Exchange” as a way to work together worldwide through better communication; B. F. Ihlenfeldt, U.S.A. gave a talk on “Policy Owner Participation” as a communications device.

Information, Ideas, and Personnel Exchange

GEORGE W. JACOBSON
Executive President, Group Health Mutual, U.S.A.

THE insurance organizations operated cooperatively by the internationally organized consumers of the world are meeting here

today because there is now functioning a program of exchange of information, ideas, and personnel. We need to strengthen our existing methods of communication into a planned, dynamic program directed toward the greatest possible benefit for consumers of cooperative insurance, and for organized consumers in general, associated with each other through the International Cooperative Alliance.

Communication is essential to any type of modern organization, and particularly modern business organization. This is especially true of a world federation composed of consumer service organizations, such as the insurance institutions that make up the Insurance Committee of the International Cooperative Alliance.

In our federation we need a horizontal system of communication through organizations that make up the Insurance Committee. We also need a vertical system of communication within the national groups of organizations that serve their respective economies by providing modern insurance protection. I believe we would all gain immeasurably if we would plan systematically to use all appropriate methods to exchange information on technical and managerial levels, and to exchange personnel who are specialized in essential fields of technology as well as those versed in other disciplines of business such as management, distribution, and public relations. Effective communication could stimulate the generation of new ideas, and the sharing of existing ideas, that would help to put consumer organizations for insurance and for other purposes in the vanguard of progress in our respective countries and on the international scene.

Conferences and congresses are among the most useful media of communications. The periodic sessions of this conference, as well as the sessions of the many other committees of the International Cooperative Alliance, its Central Committee and its Executive Committee, are essential. Equally important are the conferences of the national federations of consumer cooperatives in the various countries represented here in which the insurance organizations play a significant part. As we gain experience we can continue to improve the planning, preparation and procedures of such conferences to enhance their value.

We continue to depend on many publications as a principal medium of communication. The publication of the Alliance itself, "The Review of International Cooperation", is well known to all of us, as are the publications of the various national movements. In some instances the insurance organizations themselves have specialized publications, such as the trade organ of La Prevoyance Sociale of

Belgium. We cannot overlook the technical information developed within the various countries by the insurance industry as a whole and disseminated through trade publications, federations of insurance industries, and through professional societies such as the International Society of Actuaries.

Valuable as these media are, I should like to suggest that we consider how to make them more valuable. Important information of all kinds—information that grows out of specialized disciplines like underwriting and actuarial studies as well as the broader fields of management, distribution, communication, and human relations, — would be far more useful if it could be more generally known. Much of it is now landlocked in areas of advanced development, but unknown and denied to organizations in areas of lesser means and growth. I would like to see this I.C.A. Insurance Committee set up a program and a budget for widespread and systematic dissemination of the information that is available to all areas where it is needed. A digest and analysis of the best in the many national publications could be summarized, translated, and made available in convenient form so that we could all share in the best of knowledge and ideas.

Ideas, and the implementation of ideas, can determine our goals and the extent to which we achieve them. I believe that it is fundamental that we define, express, and promulgate the idea which underlies the central purpose of insurance itself. It is only when any undertaking understands its purpose and defines its goals, and then sets up means to achieve those goals and purposes, that it really becomes dynamic and begins to achieve its greatest fulfilment.

Modern free economy as it exists in the western world could not function nor survive without some means of sharing risks through the instrument of insurance. Insurance gives continuity, not only to businesses but to the lives of individuals in modern society.

Through the various types of casualty insurance we assure the continuity of business by sharing, and thus lessening, the loss due to natural or man-made catastrophe. Through life insurance we can create an estate by the magic sharing of premiums, based upon actuarial determination, in a common fund. A family estate built through life insurance can be used either to cover needs of beneficiaries in the case of premature death or to provide a source of deferred income on retirement. Equally important is the insurance for income to be provided in the event of the sickness or disability of the breadwinner.

The idea of insurance is one of the most dynamic in modern business. It is particularly well adapted for use by consumers in the building of a consumer centered economy to which the ICA and the cooperative movement generally is dedicated. There is no medium as universal as insurance. It can be organized to touch the lives of everyone everywhere, in whatever walk of life or in whatever economic status—except possibly the very poorest with the very least economic means. We must, of course, be concerned about the latter. Our concern as citizens must be to act to raise that economic status. Our concern as leaders in the insurance field must be to recognize that there may be areas in which the voluntary application of the insurance principle is ineffective, and action government may be necessary, whether through social security programs or other forms of financing that are universal in their application.

In the interest of the communication of ideas, I believe it might well be the function of this Insurance Committee of the ICA to express as a goal the minimum we should expect in the way of protection and security, not only for members of our organizations but for all the citizens of the economy in which we function. What protection should we seek to secure for the average man? What ought our standards be?

We have, in insurance, the medium through which much of this security can be achieved. Other media have been developed — to different degrees in different countries. Private enterprise offers means to achieve security to many. Other programs have developed by cooperative enterprise, such as prepaid medical care plans in the United States, Canada, Israel, and elsewhere throughout the world. Governments, through widely varying social security programs, provide varying degrees of protection.

I think that most of us believe in the value of a mixed economy, that we generally would support government programs where voluntary programs cannot meet the need, but that we support the voluntary, cooperative approach wherever possible because in so doing we keep our institutions responsible to those who benefit from and pay for them and thus enhance the idea of democratic participation. Democracy can survive and enrich its influence only to the extent that people will willingly and intelligently participate in its many functions, be it in the economic, the political, the cultural or the spiritual field.

Recognizing the great variety of conditions in the countries represented here, may I suggest some examples of goals that might apply

in my own country, the United States of America. We might take as a theoretical goal for voluntary life insurance in the United States the ideal that the head of every family should have life insurance at least to the extent of five times his annual income—with lesser additional amounts for the dependent members of his family. This may seem a modest amount, but let us consider what it would mean.

Among the more than 55 million family units, from the figures of the U.S. Census Bureau for 1957, the average carried about \$8,300 of life insurance, and had a disposable personal income per family of \$5,500. If the average insurance were to equal five times the average income, it would amount to more than \$25,000. This would increase the amount of life insurance in the United States from 500 billion dollars to 1,500 billion dollars! Such an amount would provide protection for families to an extent unknown in the world before, and it would also provide the economy with tremendous capital for growth.

Recognizing that different economic conditions present differing needs, suppose we should set as our goal among the insurance societies associated with this international committee an average insurance protection amounting to five times the family income. Such a goal would spark the imagination, not only of our members and ourselves, but of the entire economy of which we are a part.

But life insurance is not the only avenue of protection against life's hazards. For medical and hospital services it is estimated that the average American family should spend at least five percent of its income to get adequate preventive and curative care. We need protection against prolonged illness and permanent disability. The need for more adequate provision for economic security in old age is intensifying each year as our life span grows longer. And, at least in America, programs in the field of casualty insurance, dealing with the hazards growing out of the use of property, such as liability for automobile accidents, need to be greatly strengthened.

Truly, the scope of needs that can be met by the insurance technique seems to be practically without limit, even here in the United States where that technique has reached its highest development. I'm sure it has much to offer elsewhere, as it has here, and that conducted on a cooperative basis it can offer hope, security, and a substantial degree of individual control over his own destiny.

The ideas that we can help to communicate, however, are not limited to the field of insurance. If we are true to our principles we must also be concerned with the promulgation of broader ideas of

cooperation. I would like to mention a few cooperative programs on the international scene that I believe merit increased emphasis.

First, there is the ICA Development Fund through which technical aid is being given to countries just developing their cooperative institutions. The current project is the training center in conjunction with the Jamaica Cooperative Union at Kingston. Then there are the international extension services of both the Cooperative League of the U.S.A. and the Credit Union National Association, which have been very effective in helping to develop cooperatives and credit unions in the western hemisphere, the islands of the Pacific, the Philippines, India, and parts of southeast Asia.

Another example of the amazing job that can be done through the technique of cooperation is represented by the outstanding achievements of CARE, of which the Cooperative League of the United States was one of the founding members. CARE has distributed tens of millions of dollars worth of food, clothing, and tools to people throughout the world. It is a magnificent example of the practice of economic brotherhood through principles of cooperation that has won the support of many non-profit, labor, social and religious organizations and has earned gratitude and good will wherever its activities have appeared.

I think it appropriate here to mention the kind of cooperation with government that is carried out in many countries, here in the United States under the International Cooperation Administration, as a program for the exchange of both personnel and ideas. Literally thousands of cooperators, trade union leaders, students, teachers, public officials and employees, and other have been brought here to study and to make friends. As cooperative institutions we have an essential part in this program.

All of these examples illustrate the exchange of ideas through action, through participation, through constructive programs, as well as through discussion and communication.

The greatest effectiveness in a program of exchange of ideas and information can be achieved through the exchange of personnel. However great the effect of the printed word, however remarkable the newer media of radio and T.V., and however amazing the new computers and mechanical brains may be in recording and analyzing information, the great source of ideas is still the human mind. Although the medium of exchange of personnel may be expensive, it is a medium of tremendous depth and dynamism.

Learning and growth is a two-way street when ideas are exchanged through the medium of exchange of personnel. Trained and experienced minds can exchange their experiences. An able manager can transform an institution, an efficient actuary can make the difference between surplus and deficit, and an effective communicator can develop relations between policyholders, the public, and the employed staff that can make the difference between stagnation and dynamic growth.

The exchange of personnel should not be limited to personages on the higher echelon. It can be just as important to exchange persons in the "middle management", as well as on the level of clerical workers, secretaries, supervisors, and specialists. Such exchange can provide a good medium for the sharing of routine business information. It can make for an invaluable development of good will and international understanding. In a democratic society in which citizens must make the ultimate policy decisions, this kind of understanding is vastly important.

There are other values that could accrue. A program for the exchange of personnel could be an excellent medium of reward for work well done. Employees could be sent abroad by inexpensive transportation in exchange for like personnel from the country to which they are sent. Individual growth and social gain would inevitably result.

Organizations represented on this committee have already pioneered in a personnel exchange program that has touched western Europe, the United States and Canada, and that includes assistance provided by societies in Britain and Scandinavia to newly developing countries like Nigeria, Ghana, and Indonesia. From this beginning we could go on to a greatly expanded far-reaching program, assisted and encouraged by this Insurance Committee of the I.C.A.

I would like to see us go further—to broaden such a program of exchange beyond our immediate ranks and extend it to a wider field. Several years ago I proposed a program to encourage young people to volunteer to give a year or more of their services in fields for which they were especially qualified, in parts of the world where those services are especially needed. They could serve under the sponsorship and with the support of some voluntary organization like a cooperative, labor union, private business, social organization, or religious or educational institution. They could work toward raising the standard of living and promoting economic growth and development in lesser

developed countries. It might be in a village cooperative in the heart of India, or a credit union or medical center in Nigeria. It might be to help in trade union organization where such movements to improve the lot of the worker are just beginning. It could be in some community enterprise such as a hospital or village development program.

Such a program would be an invaluable educational experience for the young people involved. They could well devote their time for the nominal compensation necessary to pay their expenses — and I believe that to be most effective they should expect to live as nearly as possible according to standards of the people with whom they would work. They should be carefully selected not only for their specialized abilities but for brotherhood and cooperation.

I believe that such a program would appeal to the finest and ablest of our young people today— many of whom are earnestly seeking some practical way of implementing their ideals.

A program such as this was advocated some two years ago by the governor of our state, Orville L. Freeman, when he spoke as co-chairman of the Fifth National Conference on International Economic and Social Cooperation. Governor Freeman noted that it would provide an avenue through which voluntary organizations and economic organizations of all kinds — from county medical societies to cooperatives, from farm and labor organizations to public spirited business enterprises—could engage in a real people-to-people program for technical assistance, economic aid, and international understanding.

If cooperators could inspire their organizations and others to sponsor young people in this kind of program, carefully planned with practical common sense as well as high ideals, it could develop into one of the most amazing demonstrations of the Christian-Judaic concept of brotherhood the world has seen in modern times. I believe our cooperatives would gain, even in material terms, far more than it would cost; and the gain in understanding and good will would be immeasurable.

The most powerful thing in the world — even in a world of nuclear power — is an idea, and it is made even more powerful by its implementation. If we will set up a planned, dynamic program for communication whereby we can effectively exchange information, ideas and personnel not only among ourselves but among others, we can make a major contribution — to the concept of insurance, to the growth of economic cooperation, and to the furtherance of progress and peace throughout the world.

Policyowner Participation

B. F. IHLENFELDT

Vice President, Public Relations
Mutual Service Insurance Companies

ONE of the dominant trends on the American scene today is the phenomenal growth of our corporations, our cities and our farms—everything is getting bigger! Another important and accelerated trend is the separation of ownership from control in our business organizations.

In this environment our cooperatives have a special responsibility and a unique opportunity. They are the only economic institutions that are owned by the people served, controlled by the people served and operated in the sole interest of the people served. In an economic era which marks a decline in the influence and participation of the individual, cooperatives provide the key for reasserting the importance of the individual and his right to participate in the vital decisions that affect his daily pattern of life.

Our cooperative organizations serve to implement the concept and heritage of democracy in economic enterprise. They offer a sound and tested method for the individual and his neighbors to influence their economic destinies. Our cooperative insurance companies, as an integral part of the over-all cooperative pattern, have a basic responsibility to contribute toward the attainment of these democratic goals.

The extent to which effective policyowner participation prevails in our cooperative insurance institutions largely determines the fulfillment of this responsibility to the cooperative movement as a whole and to the people they serve.

When we speak of policyowner participation in our cooperative insurance companies, what are we really talking about—what does it mean?

First, we should recognize that there are various levels or degrees of participation possible on the part of the policyowners in a cooperative insurance company. They vary from minimum to maximum participation and can be broken into four major categories.

1. Minimum participation. This is the simple act of buying an insurance policy and keeping it in force. The individual is “participating” because he joins with others in pooling funds to share risks or hazards common to all members of the group.

2. Actively interested. This is participation beyond merely re-

taining an insurance policy in force. The policyowner is so convinced of the service and worth-whileness of the company's program that he will actively recommend the company and its service to others.

3. Active expression to company. This is a degree and method of participation which encourages and permits the policyowner to express himself to the company. He can give the company his ideas as to how he feels his insurance needs can be served better.

4. Direction and control of company. In this case the individual policyholder not only expresses his wishes to the company but he has available and uses a definite channel through which he can exercise actual control and direction of the company—establish over-all policy and elect the directors.

All insurance companies conduct promotion programs through their sales organizations, advertising, news media and mailings to attain the minimum as well as the active policyowner participation described. Our cooperative insurance companies distinguish themselves in the latter two areas described—"active expression to the company" from policyowners and the "direction and control of the company" by policyowners.

It is in these two areas of policyowner participation distinctly characteristic and unique to our cooperative insurance companies that we will concern ourselves here.

A brief analysis shows that the cooperative insurance companies closely associated with the cooperative development in Canada have two types of policyowner participation in their government structures.

One pattern involves the stock control of the insurance company by cooperative organizations. Under this structure, policyowner meetings are held in major centers in the operating area annually, operating reports are made and policyowners' expressions are invited. In addition, a report on the insurance operations is made at the annual meeting of the cooperative organizations which control the majority stock.

The other pattern in Canada has as its basis insurance advisory committees established in the provinces in which the company operates.

The members on these committees are appointed by the credit unions and other cooperative groups. These committees participate in discussing major operating policies and nominate candidates for the Board of Directors. At the time of the annual meeting each provincial committee selects an additional policyowner representative to attend the annual meeting of the company. The annual meeting, then, decides

on major operating policy, formalizes the recommendations of the advisory committees and elects the directors. The insurance program—its progress and service—is also discussed at the meeting of the sponsoring cooperative and credit union groups. One of the mutual Canadian companies is presently petitioning the government to permit the establishment of a delegate system of control.

In the United States the pattern of policyowner participation is in some respects similar to that of Canada. One company conducts an intensive program of policyowner meetings in which policyowners are given the opportunity of expressing themselves on the operations and service of the company. The actual control of the company, however, is channeled through major cooperative groups that nominate the Board of Directors.

Another pattern that we have in the United States begins with policyowner meetings conducted on an area basis. At these area meetings complete operating reports are made, over-all company policy is discussed, a candidate to the Board of Directors is nominated and delegates are selected to represent the area at the annual meeting. The annual meeting takes formal action on the recommendations and suggestions developed at these area meetings.

Finally, a third pattern that exists in the United States is one of representative government. Here the control of the insurance program is vested in cooperative organizations of all types on the basis of one organization-one vote. The insurance service and operations are discussed at membership meetings of the member cooperatives. Delegates from these member cooperatives elect the Board of Directors and set over-all company policy.

These government structures of our cooperative insurance organizations in both Canada and the United States, although somewhat different, are intended to obtain expression from the people served and participation by them in the direction and control of their companies.

In their development and growth, the Mutual Service Insurance Companies have had a wide and varied experience in this matter of policyowner participation and government. Mutual Service is an outgrowth of the merger and consolidation of five previously separate companies which from inception were closely associated with the cooperatives in their area.

Each of these formerly separate companies had a different pattern of government and policyowner control and the present structure in

Mutual Service evolved out of the earlier experiences of these five companies.

Some of the Mutual Service predecessor companies had structures which provided for direct policyowner control. District meetings of policyowners were held annually throughout the operating area. At these meetings complete operating reports were given and Board of Director candidates were nominated. An intensive effort was made through direct policyowner mailings and newspaper notices to obtain policyowner attendance at these meetings. Over the years, however, the statistics showed that very few people who attended these meetings came out of a pure policyowner interest. The greater number of people in attendance were either agents or salaried company personnel.

In another Mutual Service predecessor company each local cooperative had as many votes in the insurance company as it had policyowners in its operating area. This resulted in a serious imbalance in the actual control of the insurance organization. The majority control gradually drifted into the hands of those local cooperatives where the insurance company had carried on its most intensive agency and sales development. The interest of many cooperatives in the insurance program was thus weakened by reason of the fact that a few of them practically controlled the company.

When the five insurance companies were merged, a committee was created to study, develop and recommend a new pattern of government to effect policyowner control of the merged organization. On the basis of the experiences gained with past government structures, this committee made the following observations:

1. That the intensive effort that had been made to obtain the direct participation of policyowners in the control of their cooperative insurance company had not been successful. It had been expensive and the percentage of policyowners who had responded to this effort was so small as to not warrant the cost.

2. Insurance service is seemingly not of sufficient economic consequence to the individual policyowner as to make him want to exert himself to actively participate in the government of the insurance company on a regular basis.

3. It is important that the personnel and the agency force of the company be subject to over-all company policies and not be in a position to establish and determine those policies.

4. Vesting control of the insurance service in the already established cooperatives in a given community strengthens both the insur-

ance and the other cooperative—it ties them together into a single team.

5. The basic purpose of all cooperatives and credit unions is to render better service and to achieve patron ownership and control. Vesting control of the insurance service in these organizations brings to bear on the insurance company the same economic motivations and interest in patron welfare and participation.

6. It is desirable in a policyowner representative form of government to maintain the principle of one cooperative-one vote to be sure that control does not become concentrated at a few points.

Having reached these conclusions, the committee recommended and the membership adopted the present representative policyowner government structure in Mutual Service. The key to this structure is Mutual Service Cooperative which is owned and controlled by cooperatives of all types throughout the Mutual Service operating area on the basis of one member cooperative-one vote.

Policyowners applying for insurance in either Mutual Service Life or Mutual Service Casualty are asked to assign their vote to Mutual Service Cooperative in case the policyowner does not attend the companies' annual meeting in person. Directors of Mutual Service Cooperative elected by the voting member cooperatives then become the directors of the two insurance companies. The Board of Directors is thus uniform for the three separate corporations.

A Nominating and Review Committee is appointed annually by the regional cooperatives which sponsor Mutual Service and by the directors of Mutual Service. This committee reviews the actions of the Board and management in carrying out the broad objectives which the membership established for Mutual Service. In addition to this, the committee nominates candidates for any vacancies occurring on the Board that year. These Board candidates, as nominees, are selected with the advice and counsel of all voting member cooperatives by means of a mail survey and personal contacts. The committee is required to allocate the directors geographically by state on the basis of insurance premium volume. In selecting its candidates, the committee must also provide for reasonable representation of the cooperative family groups that support the Mutual Service program.

Special emphasis is given to encouraging member voting cooperatives to send delegates to the Mutual Service annual meeting. The cooperatives are reimbursed for the travel and hotel expense of their delegates. One of the qualifications for a delegate to the Mutual

Service annual meeting is that he or she neither be an employee nor career insurance agent.

These delegates are, of course, selected by the Boards of Directors of the local cooperatives and in some cases at the local annual meetings. They also report on Mutual Service operations to their local Boards and to their local cooperative membership at its annual meeting. In this way Mutual Service actually achieves greater participation by policyowners in its control today than it did under any of its previous patterns of government.

In day-to-day operations Mutual Service maintains a close relationship with its member cooperatives. Sales effort in the community is closely associated with the cooperative. The insurance program is discussed at local and area cooperative meetings, and Mutual Service is actively identified with state associations of cooperatives and in joint programs with other regional cooperatives in its area.

Policyowner participation requires constant effort if it is to prevail. The history of mutual insurance in the United States is replete with instances where companies started out with the ideal of policyowner control only to wind up with management control. The pattern of direct policyowner control has generally worked well in our rural township mutuals which operate in a small area where neighbor knows neighbor and the annual meeting is held in the community. Other mutual companies, however, that have had to expand their operations to encompass a state or possibly several states found it difficult, if not impossible, to maintain the interest of policyowners to effectively control the companies. As a result, many sizable mutual companies today are, in reality, controlled by their management.

This is the challenge that faces our cooperative insurance companies—to maintain an effective method for policyowner participation and design programs and plans that will make such participation effective. This is, of course, one major element that makes our cooperative insurance companies distinctive and significant within the insurance industry.

Our cooperative institutions all have the problem of maintaining active member interest and participation. In Mutual Service we have only succeeded in getting up to 75% of our member voting cooperatives to appoint delegates to the annual meeting. Some of our member cooperatives do not ask their delegate to report on Mutual Service at the local annual meeting, and as a result the cooperative insurance program is not discussed with the membership at the local level.

Constant effort is required to maintain a high level of participation and follow-through. At best, democracy is a matter of percentages. We may never achieve 100% in effective member participation. The greater the percentage, however, the stronger the institution.

We know clearly that the policyowners who do participate in the control of Mutual Service are primarily those who are also active and interested in credit unions and other cooperatives. This, then, establishes another common bond between Mutual Service and the cooperative development in its area. Mutual Service has a direct interest in the success of all cooperatives and their expanding influence in its operating area. Through this, policyowner participation in Mutual Service will surely increase.

Two of our six objectives in Mutual Service as established by the membership give specific instructions to the Board of Directors and management in the areas I have discussed. They are:

1. To maintain effective control of the companies by their policyowners through cooperatives, credit unions and township mutuals.

2. To perform an active and responsible partnership role in cooperative development, in the insurance industry and in the community.

In our American society today there is a determined effort on the part of business corporations to enroll the active participation of their stockholders. There is also a concentrated effort on the part of corporations to build their identity with consumer interest. In our cooperatives the individual votes—not the dollar. The consumer or member in the cooperative is the starting point—his needs, his desires and his aspirations are the foundation of our cooperative institutions.

The environment of stockholder participation and consumer interest programs provided by our competition is helpful to our cooperatives and will contribute to an expanding acceptance of the cooperative idea.

The more stress corporations place on individual participation and expression in their affairs, the greater will be the acceptance of the concept that people are more important than dollars. It will develop a climate for economic organizations that are directly responsible to and governed by the people they serve.

Effective policyowner participation programs in our cooperative insurance companies are important in demonstrating and implementing the member patron control of our cooperatives and their important role in a democratic society. Through them we are giving tangible expres-

sion to the principle of government by the people and for the people in the economic life of our society.

DISCUSSION

Q. Don't you think a system is wrong if the agents get the dominating influence? A. (Mr. Ihlenfeldt) I believe I mentioned that in one of the five companies that make up the Mutual Service organization, we had that experience, by having district meetings and area meetings where the policies of the organization were discussed and where agents and personnel were permitted to participate as policy owners. They of course had private personal interests and affected the policies of the organization as well as influenced the election of directors. It certainly is wrong to have agents, or even employees, participate in the direction of an organization.

Q. Is it required that those who are appointed to vote themselves must be policy owners? A. (Mr. Ihlenfeldt) I assume that refers to the Mutual Service government structure. It is not a specific requirement. I don't believe, though, that we have ever had delegates at our annual meeting who were not policy owners. The delegate who comes to the annual meeting is appointed by the local cooperative and the local cooperative is the voting member in Mutual Service Cooperative. That is where the election of directors takes place, and then those directors automatically are elected as directors of the insurance company. But it's naturally a policy of the organization that the local cooperatives automatically select someone who is a policy owner and is interested and completely familiar with the insurance program.

Q. Presumably the method of control of Mutual Service assumes that the cooperatives which govern Mutual Service are themselves democratically controlled. Have your participating cooperatives developed an effective means of democratic control when their membership outgrows the town hall meeting? A. (Mr. Ihlenfeldt) I would say yes, very definitely. I think this is not perfect in all respects, and I would assume that all of our companies have that problem. But many of our cooperatives have districted their areas and they hold effective district meetings and also nominate directors by district among their local membership. That has taken place in many areas and is working very effectively.

Q. Is there any plan to issue a report on what each co-op insur-

ance organization writes and its difference with the normal markets in their areas, including the special handling and servicing of other types of cooperatives? A. (Mr. Doss) Now it is our belief that someone is seeking information about various companies that are affiliated with the ICA Insurance Committee and our secretary, Mr. Henri Lemaire, reminds me that all the companies that are now affiliated do receive reports annually that give certain information, such as a list of the affiliated companies, their premium writings, etc. Now as a member of the executive of the Insurance Committee, may I say this word. We had a very good meeting Monday and discussed many things our Chairman may want to refer to. We approved a tentative agenda for the regular meeting in Switzerland next fall in connection with the regular I.C.A. meeting, but the executive plans to meet earlier and review this meeting. Consequently if the questioner would like a more complete report on what the various companies are doing, the executive will take it under consideration.

Q. What is the fiscal policy of groups of the various countries so far as bonuses for policyholders are concerned? Are they fixed? A. (Mr. Ihlenfeldt) Assuming that bonus refers to dividends or the distribution of earnings of the companies, certain insurance coverages are written in our organization on a net cost basis, so the rate is determined on the basis of our experience. If the experience is exceptionally good, the rates might be lowered. If the loss ratio goes high, the rates might be increased. On other forms of insurance, such as life insurance and Workmen's Compensation, a dividend is paid depending upon the earnings of the risk or an agreed-upon predetermined amount. Now there are no taxes on the dividends that the insurance company as such pays. Generally the tax structure in our area is on premiums and on investment earnings.

Relationship Between Insurance Committee and the I.C.A.

ROBERT DINNAGE
Chairman, Insurance Committee, I.C.A.

THE first approach to this subject must inevitably be historical and for this part of my address I am greatly indebted to Henri Le-

maire who probably knows more about the past history of the I.C.A., and certainly more about the past history of the Insurance Committee, than anyone here to-day.

It was Henri Lemaire's distinguished father—Joseph Lemaire—who felt that insurance, which is very much of an international business, would provide scope for co-operation between the Co-operative Movements in various countries which had established Insurance Societies. Joseph Lemaire, as General Manager of La Prevoyance Sociale, was a practical Insurance man but he was also anxious to encourage the growth of International Co-operation and he was of the opinion that this would provide a means of combining practical ideas with ideals.

Joseph Lemaire therefore invited all the Managers of the Co-operative Insurance Societies known to the I.C.A. Secretariat, to meet together in Rome in April, 1922. Only four Societies were represented—the Belgian, Swedish, French and Dutch Societies. The German, Czech, Danish, Norwegian and Swiss Societies wrote indicating their interest. I have to admit to my shame that the C.I.S. wrote to Joseph Lemaire stating that they were not interested in his idea and they were not represented.

My friend Henri has stated that this was a typically British decision but I can at least say that we had a change of heart and I can assure you that now no Co-operative Insurance Society more wholeheartedly supports the I.C.A. Insurance Committee than the C.I.S.

Nevertheless the credit for the original conception must go to Joseph Lemaire and for its initial development, to our friends from Sweden, France and Holland, and of course Belgium.

After the last War, the French Co-operative Movement was not able to carry on its Insurance Society but we are all happy to know that with advice and assistance from this Committee, the French Co-operative Insurance Society is about to be re-established. I am sure our French friends will be willing to admit that they have received very great help from Raymond Lemaire and John Nuttall of the Reinsurance Bureau, about which you heard on Tuesday.

The relationship between the I.C.A. and the Insurance Committee is, of course, governed by its Rules, which have to be approved by the Committee of the I.C.A.

Whilst we are the Insurance Committee of the I.C.A., it has been necessary to find a formula which admits Insurance Societies which are not co-operative in name but are in principle.

The present membership rule, which is not very different from that originally adopted, reads as follows:

(2) Membership of the Committee shall be open to co-operative insurance societies.

Other insurance organisations may be admitted provided their objects and methods are in conformity with those of the co-operative movement and provided they are not carried on with a view to profit in order to enrich certain individuals or institutions of a capitalistic nature.

Such societies can only become members of the Insurance Committee with the consent of the Central Co-operative Organisation of their respective countries.

But before admission is finally agreed, the views of the existing members societies of the country concerned shall be ascertained.

In Brussels last year the Executive of the Insurance Committee discussed the possibility of introducing associate membership. The matter was referred to the Central Executive which indicated that they would prefer that membership rule remain unaltered. I mention this matter, which may appear unimportant to most of you here, for two reasons. Firstly because it shows that on the question of membership we must obey the ruling authority, and secondly because there may be one or two persons here to-day who feel rather strongly on this matter. I want to assure them that in this matter of membership, about which I—and no doubt many others—get bombarded with literature from behind the Iron Curtain, the Insurance Executive must be bound by the higher authority which has to take into account the overall policy of the Alliance.

Nevertheless the membership clause is necessarily fairly wide because many of the member societies, whilst having similar objects, are not in fact entirely co-operative in their establishment. Even those which are co-operatively established differ in their type—some are established by Producer Co-operatives and others by Consumer Co-operatives. Some, like the C.I.S. of England, have share capital upon which interest is paid—others have none.

Incidentally it may interest our U.S.A. and Canadian friends to know that the Authorities would not register the C.I.S. in New York State as a Co-operative Insurance Society because we have share capital, despite the fact that our share capital is entirely owned by the English C.W.S. and the Scottish C.W.S. who between them draw only £2,625 per annum (5%) on the share capital. That is why we

had to register a separate Company which, for obvious reasons, we called "Rochdale", in order to be able to do business with our U.S.A. friends and to provide a channel for the Reinsurance Bureau to operate in the U.S.A. through the C.I.S. and Rochdale.

Whilst I am referring to the question of the Rules I would mention another Rule which indicates the liaison between the Insurance Committee and the Central Committee of the I.C.A.

Rule 9. reads as follows:

The Secretary of the Insurance Committee will furnish reports on the work of the Committee to the Central Committee of the International Co-operative Alliance.

It is the practice of the Secretary to submit the Minutes of the Insurance Executive Committee to the Central Committee of the I.C.A. and at each Triennial Congress of the I.C.A. the Secretary gives a verbal report of the work done by the Insurance Committee during the past three years. At recent Congresses it has been a most impressive story that Henri Lemaire has had to tell.

The Central Committee of the I.C.A. realises that the Insurance Committee is a Technical Committee and it does not interfere with its activities from that point of view; I am sure it recognises that all the members of the Executive Committee are keen to spread the Co-operative Creed throughout the world.

There have been occasions, however, when the Insurance Committee has departed from its purely technical field into the field of politics and has made it quite clear to the Central Committee of the I.C.A. its views on matters of principle. The outstanding example of this is in respect of the question of the proposed Nationalisation of Insurance which was under consideration in several countries soon after the last war.

This matter was first discussed at the 1948 Congress which was held in Prague shortly after the Communists had taken control. It is surely significant that in such a place and under such conditions a Resolution was unanimously passed confirming the view that the Co-operative basis of Insurance was to be preferred to State administered Insurance. The matter was further considered by the Insurance Committee in Copenhagen in 1951 as the question of nationalising Co-operative and allied Insurance Societies was still in the air in several countries.

After a full and frank discussion the following Resolution was approved and submitted to the Central Committee of the I.C.A.—

“This meeting of the members of the Insurance committee of the I.C.A. reaffirms its resolution of September 1948, at Prague, where it was emphasized that in all countries where the Co-operative Movement has liberty and power to establish enterprises in the insurance field and is strong enough to realise the Co-operative ideas for the service of the consumers, nationalisation will not be found necessary for the solution of insurance problems, except perhaps compulsory insurance of an essentially social character, e.g. superannuation and family pensions. Experience has shown that in such services which cater directly to the individual consumers and correspond to needs of individuals and specified groups, co-operation provides a method of operation superior to nationalisation and the Committee once again wishes to place on record its firm belief that co-operative insurance is the best form of insurance enterprise and should be recognised as a form of collective ownership and encouraged by the governments of all nations. Its principal aim is to safeguard the interest of the policyholders and to combat monopolistic tendencies inherent in rate-fixing organisations whether sponsored by the State or by the insurance companies themselves.”

This Resolution was accepted by the Central Committee of the I.C.A. and still stands to-day as the policy of the Alliance in regard to this thorny problem. In passing I may say that it is particularly significant that this Resolution was supported by many Societies which in their own countries have close associations with the Labour and Socialist parties.

At that time the British Labour Party was seriously considering proposals to nationalise certain classes of business in the U.K. which would have seriously affected the C.I.S.

The C.I.S. Board—privately, of course—strongly opposed the Labour Party proposals and they were greatly fortified in their discussions with the Labour Party (in which I took a considerable part) by the above mentioned Resolution.

As Mr. Apelqvist said in his paper, it is generally recognised that the support of Governments in the newly developing countries is needed to get Co-operative activities started but we must all hope that Governmental supervision will be limited to general oversight without dictating policy as soon as the new Insurance Society is properly established. My own experience within the British Commonwealth seems to indicate that the Governments concerned are very

happy to relax control if they are satisfied that the new Insurance Society is receiving sound advice.

So far this paper, as I said at the outset, has been historical but I have tried to show how the Insurance Committee developed as a Sub-Committee of the I.C.A. and that although, like other Sub-Committees, it is subject to the overall surveillance of the Central Committee of the I.C.A., it has nevertheless a considerable measure of independence and does not hesitate to make its views known even when they may be unpopular in certain quarters.

You may say that this is all very interesting (at least I hope you won't have found it dull) but what has the Insurance Committee done to further the aims of the I.C.A.?

The aims of the Insurance Committee are set out in the Rules as follows:

“The Insurance Committee of the International Co-operative Alliance has as its objects joint investigation, the exchange of information and the establishment of international co-operative relations in matters of insurance.”

I think it is not unduly boastful to claim that the Insurance Committee is from a practical point of view the most successful of the Sub-Committees of the I.C.A. It has always been a practical Committee but its practical usefulness has grown to a marked degree since the Insurance Executive recommended the establishment of the International Co-operative Reinsurance Bureau in 1949. You heard the full story of its activities from Raymond Lemaire on Tuesday and although there may be a feeling among some members that it does not go far enough in its activities, nevertheless it does keep in almost daily touch with one another twenty-five members of the Insurance Committee who are thus constantly reminded that international co-operation in the insurance field, at least, is something which works and does not mean an occasional meeting to discuss mutual problems without any action resulting. There is no doubt in my mind that this has established a very firm international relationship which can be used to great advantage in all countries. After all, if Co-operative organisations support their own Insurance Societies they can in fact bear each others burdens internationally.

In a very interesting paper which Henri Lemaire gave to the International Summer School in Brussels in 1955 he gave an **example** of this sharing of burdens by pointing out that if a fire took place at the Tombeek Sanatorium, which many of you have visited and which

belongs to La Prevoyance Sociale, in addition to La Prevoyance Sociale meeting part of the loss, Co-operative Insurance Societies in Australia, Austria, Gt. Britain, Canada, Denmark, Holland, Iceland, Israel, Norway and Sweden would also pay their share of the loss.

Many other examples could be quoted to show that Co-operative losses in Sweden, Gt. Britain, etc., will be shared by Co-operative Insurance Societies in other countries.

Surely there can be no better basis for development of the International Co-operative idea than this close interdependence.

We have heard from Seved Apelqvist and others their views on ways and means of helping to develop Co-operatives in newly developed Countries, and there is no doubt that firmly established Insurance Societies will be tremendous assets in furthering the work of the I.C.A., but as Mr. Apelqvist says, Co-operative Insurance must be preceded by activities in other fields.

Broadly we are all agreed that the Insurance Committee and its subsidiary, the Reinsurance Bureau, must give expert advice on the spot and give training in our Offices to personnel who will be called upon to run these new Societies. This will give opportunities for explaining the wider field of co-operative development, particularly in the case of those persons who come for training in our Offices. Are we doing enough if we simply limit their opportunities to studying insurance?

I do not believe that trainees from co-operatively under-developed countries should dissipate their energies by trying to get a smattering of all branches of Co-operation—if they try this then they will not be well equipped to establish an Insurance Society. On the other hand we do want to train men and women who are really interested in the Co-operative Movement and who do not use the facilities offered by the I.C.A. as a means to securing training which they will use eventually to their own personal advantage outside the Co-operative Movement.

It is impossible to secure a guarantee that such trainees will remain within the Movement after training. The C.I.S. has trained a number of persons in good faith who have not used their training to advance Co-operation. We now try to insist on the local Co-operative movement sponsoring trainees and, if possible, making some grant towards their maintenance as evidence of their confidence in their nominee.

If there is to be a considerable development of this type of Co-

operative assistance then it seems to me that we should be well advised to accept only those trainees vouched for by the I.C.A. Director & Secretary and that all such persons should undergo a preliminary course of say three months in the general principles of Co-operation before taking up their insurance studies. In Gt. Britain this might mean the setting up of a special course at the Co-operative College. I have no doubt similar arrangements could be made in the U.S.A. and Canada and in most of the Co-operatively developed European countries.

The question of cost nearly always arises in these cases because very few of these struggling Co-operative Movements have any large amount of funds available. This is where the generous donations which have been made by Folksam and La Prevoyance Sociale are likely to be most valuable.

At the last Meeting of the Insurance Executive Committee it was decided—

- (1) It was not the intention that these funds should be used for the extension of the business of the Reinsurance Bureau, since the Bureau had ample funds to meet the expenses of the members who might travel on Bureau business.
- (2) Primarily, the object of the funds is to enable insurance societies to be started in countries which are under-developed co-operatively.
- (3) The decision as to the use of the funds would be made by the Executive Committee, but the Chairman, Vice-Chairman and the Secretary would have power to take action subject to the subsequent confirmation by the Executive Committee.
- (4) The funds could be used either to meet the expenses of experts travelling to those countries to advise on the establishment of co-operative insurance societies, or to meet the cost of training persons from those countries in the office of member Companies.

It seems that this fund may need augmentation if the Insurance Committee is to give the type of training which I feel is necessary. I have assumed throughout this paper that the best policy is to assist the local Co-operative Movements to establish their own Insurance Societies rather than that any existing Society should establish a branch office in the country concerned. Over the past 10/15 years the C.I.S. has received many requests to open up branch offices or Agencies in various parts of the Commonwealth but we have always

felt that, although it makes it more difficult at the outset, in the long run it is better for the local Movement to establish its own Society and to maintain a close liaison with this Committee and the International Co-operative Reinsurance Bureau. I believe that this is a policy which all of us would endorse—the desire on the part of dependent territories for complete autonomy would surely lead to a request for the branch to be handed to the local movement.

I do not want it to be assumed from this that no material help should be given to help Co-operation develop in Co-operatively under-developed lands, but if any help is given it should be without strings and on a proper financial basis. I doubt if any of us could claim that our policyholders had mandated us to give funds to develop other Co-operative Insurance Societies. The Co-operatively developed nations with Insurance Societies are basically non-communist nations and those nations and their Co-operative Movements have a decisive role to play in making sure that the under-developed countries move through the various stages of development without becoming Communist States. This will, I am sure, mean substantial financial assistance at Governmental level but it should be possible within such a plan for the Co-operative Movement to take particular administrative responsibility for Co-operative Development and for this Insurance Committee to take the responsibility for sponsoring, advising, and, if necessary, temporarily staffing newly established Co-operative Insurance Societies. This would have to be done within the framework of our relationship with the I.C.T.

Another question which requires careful consideration concerns closer co-operation between Societies which are already established. Not all Co-operative Insurance Societies support the Reinsurance Bureau. We know that in some cases there are practical difficulties which make it impossible at present—currency regulations, etc., but there are others which have not yet realised the impetus which would be given to the International Co-operative Movement if they were actively and financially associated with Co-operative Insurance Societies in other lands. I know that it may make it necessary for them to alter long-standing reinsurance arrangements and not always to expect full reciprocity, but their allegiance should be to the co-operative Movement and I can assure any Society which is in doubt that the International Co-operative Reinsurance Bureau is in highly skilled technical hands, and from that angle alone they may gain a considerable advantage.

Finally, and this is where I may be asking for trouble—is there any reason why we should not through the Reinsurance Bureau undertake to do business with organisations which, whilst not eligible for membership of the Insurance Committee, do at least fit half the conditions of membership in that—

“They are not carried on with a view to profit in order to enrich certain individuals or institutions of a capitalistic nature?”

One such organisation has for many years supported the International Co-operative Reinsurance Bureau—I refer to the Saskatchewan Government Insurance Office which was set up by the Co-operative Commonwealth Party when it came into power in Saskatchewan.

There are throughout the world many Mutual Insurance Societies which although not sponsored by the Co-operative Movement, differ very little in their objects from many of our present member Societies.

I feel that many such organisations would welcome the opportunity of placing their reinsurances on a non-profit making co-operative basis if they were aware of the possibility of doing so.

Telling the Cooperative Insurance Story to all Publics

HENRI LEMAIRE
President, La Prevoyance Sociale

WHEN in 1844 the twenty-eight poor weavers of Rochdale opened the first co-operative shop in Toad Lane, nobody imagined that, in 1959, there would be about 150 million co-operators in the world.

And yet, I think that co-operation only starts fulfilling its historical mission. For there is no other possibility of building the future.

We are facing a dreadful problem: the increase of the world population and, of course, the needs of this population. In 1855, there were about 1 billion people in the world. In 1930: 2 billions. In 1962, we will be 3 billions, and round the year 2,000: 6 billions. Thus, in less than one century and a half, the population will increase from 1 to 6 billions. Six billion people who must eat, buy clothes and shoes, be housed.

It is also noticeable that this development is unequal. The world population is divided at present as follows: 55% Asia, 15% Europe, 8%

U.S.A. and Canada, 8% Soviet Union, 8% Africa, 5% South America and 1% Oceania.

But if we examine the most recent increases, we find that the quickest increase happened in Asia. Why this general and astonishing increase? Because: (1) fight against diseases has been successful; (2) birth-mortality has been greatly reduced.

Our resources are unequally distributed: $\frac{1}{3}$ of the world population uses 85% of all available products; the remaining $\frac{2}{3}$ get only 15%.

The U.S.A., which represents only 7% of the world population, consumes 50% of the world products.

We must therefore: increase production; realize a better distribution of products.

Co-operation alone will give a possibility of finding a just medium, based on social equity, brotherly understanding and reciprocal assistance.

How can we organize the production and distribution of goods so as to satisfy all needs and establish peace between all nations?

In principle, there are three ways:

1. Private capitalism. We believe however that this formula can not be applied here. Capitalism is based on profit. On the other hand, it is clear that the development of agriculture and industry in underdeveloped countries must be based on the help to be given and not on the profits to be expected of it. The real aim of help is to make all help unnecessary. We must therefore give these people our advice, our experience and help them to help themselves. The money which would eventually be invested in these countries must not be a cause of wealth for the owner of capital, for this breeds the most extremist nationalisms. The formula of private capitalism is not suitable.

2. State monopoly (also called state capitalism). This system is based on absolute authority of the state and implies that the people give up their individual freedom. This leads to dictatorship.

3. Co-operation, i.e. economic democracy. Co-operation associates all the advantages of collective economy with the main features of a non-profit organization. We do not find there any spirit of profit, but only of service. Co-operation means: (a) voluntary adhesion (open door policy); (b) democratic control (one man, one voice); (c) non-capitalist aim; bonus goes not to the shareholders, but to the consumers (return based on purchases); (d) limited interest to the capital. We believe in co-operation. It is the only way of saving the world from hunger and misery.

Actually, the word "co-operation" is too limitative. Co-operation is not an end in itself, it is a way. Its aims are multiple. First of all, it wants to establish peace in the world by abolishing conflicts of interest between nations. Next, with other parallel movements, it strives to improve men's conditions of living by giving them, in the best conditions possible, all the things which can help them in building their happiness, spiritual as well as material. These parallel movements are trade-unionism and the political expression of the workers' cause. According to the different countries, they are called Labour Party, socialists, democrats, social democrats, progressists, etc. Together, these three movements form the forces of progress as opposed to conservatism.

By co-operation we do not mean a juridical aspect, but a system created by co-operators for co-operators considered individually and collectively. It is really a spirit of collective economy devoid of all private interest.

We find this conception in the composition of the Insurance Committee of the International Co-operative Alliance, for co-operative insurance has quite naturally followed the development of the co-operative movement itself.

Everywhere we find the same spirit, but not always the same aspect. Contrary to what one might think: The societies affiliated to our Committee are not always co-operative societies; they have not always been created by the co-operative movement of their country.

EXAMPLES

(a) The "C.I.S." of Manchester is a limited company, creation of the English co-operative movement. But the shares belong to the English and Scottish co-operative movements. The board of directors is made up exclusively of delegates of these two co-operative movements.

(b) "Les Assurances Populaires" of Brussels: same situation. It is a limited society, but all the shares belong to the Christian co-operative movement of Belgium.

(c) "Volksfürsorge" of Hamburg. The shares of this society belong half to the co-operative movement and half to the Trade-Unions.

(d) "Wiener Städtische" of Wien is not a co-operative society and is not a creation of the co-operative movement. It is an insurance society created by the Viennese municipality under socialist leadership. Its board consists mainly of delegates of the town of Vienna.

The Chairman of the Board is the Lord Mayor (Bürgermeister) of Vienna. Of course, this society works in a non-capitalist spirit; that is why the co-operative movement considered that it was not necessary to establish its own insurance society, the "Wiener Städtische" being actuated by the same spirit.

(e) The "Centrale" of Holland was created by the Dutch Labour Party. The profits are mostly used for the educational institutions of this labour movement.

(f) "LaPrévoyance Sociale" of Brussels was founded by the Belgian Labour Party, but the capital was subscribed by the consumers' co-operatives for 64%, and by the Trade-Unions for 32%. The remaining 4% were subscribed by political leaders of the time and by some of the social organizations of the Labour Party.

What are the characteristics of co-operative insurance societies? At a recent conference of our Committee, the reporter laid down the characteristics of co-operative insurance societies as opposed to capitalist societies. They may be summed up as follows:

(a) The capital subscribers are chiefly co-operative organizations and not private individuals.

(b) At the general assembly, we see delegates of the insured much more than delegates of capital.

(c) The paid-up capital bears a limited interest, which never exceeds 6%.

(d) The board is generally composed of delegates of the co-operative institutions.

(e) The co-operative insurance societies invest part of their funds in the co-operative movement.

(f) They always strive to safeguard the interests of the policyholders, especially by reducing the premium rates.

(g) They often have a social influence, in the most varied fields: teaching, housing, health (propaganda campaigns and creation of social centers).

(h) The benefits, after deduction of the interests, go back to the policyholders, in one way or the other.

Although everyone agrees on this last principle, co-operative societies have different ways of applying it. Some simply give a bonus to the policyholders. Others remember an idea often expressed by Louis de Brouckère in his talks. He used to recall that, in Rochdale, in Toad Lane, the first house of the Equitable Pioneers included a shop on the ground floor, and also a lending library for the co-operators

on the first floor. It is what I said in other words at the beginning: co-operation will give freedom to the co-operators, not only materially, but also spiritually.

Co-operation is not just a shop where one buys sugar and mustard. It is much more. Emerson, the great American philosopher and idealist, said: "We must bind our car to a star." Of course, some societies apply quite strictly the Rochdale principles and give the policyholders a bonus proportional to the premium amount. This position is unquestionable. But others prefer giving a small bonus and making a contribution, quite different but in their eyes much better, either to their policyholders, or to the whole nation.

It is impossible to recall here what each society does in this field. But, as an example, we will tell you about the principal realizations of the two societies which have a very definite policy of this kind. They are "Folksam" of Stockholm and "La Prevoyance Sociale" of Brussels.

"FOLKSAM"

1. Constitution of a Committee with the Trade-Unions, to settle the claims, in group insurance, of the many Trade-Unions affiliated to the society.

2. Measures in view of favouring the spirit of saving in young people. Contacts with youth organizations. For instance, sending of 50 young people by plane to the Olympic Games (Helsinki).

3. Work in common with the Women's Co-operative Guild.

4. Co-operation with the Social-Democratic Union of Women.

5. Creation of a Women's Council to study a plan of insurance in the home for more security at home.

6. Health campaigns, especially against cancer, against drinking alcohol, against consumption of tobacco.

7. Collaboration with the Workers' Education Association, the Red Cross and the local co-operative society, to improve public health.

8. Rehabilitation of victims of accidents, in collaboration with a clinic created by the Swedish government.

9. Allowance of \$20,000 a year to help scientific research.

10. Creation of a fund for scholarship for young trade-unionists.

11. Action tending to favour road safety. Campaigns with the social-democratic youth.

12. Various films, amongst others: (a) against fire; (b) against cancer; (c) about road safety.

These twelve points form a "service" to the nation. They must be

completed by the participation of the policyholders to the profits, as said before.

“LA PREVOYANCE SOCIALE”

“La Prévoyance Sociale” is not only devoted to its policyholders, but also to collectivity, by a certain number of initiatives in accordance with the co-operative spirit.

“La Prévoyance Sociale” has 1,500,000 policyholders, out of a Belgian population of 9 million inhabitants. One Belgian out of six has thus a policy in this society. By the number of policyholders it is by far the most important society in Belgium.

In these conditions, we consider that we have outgrown the scope of a purely private society and that our actions have a social character of general interest. Here are the most important:

I. Socialization of profits. Most of the labour programs recommend nationalization of the chief means of exchange and production. In some countries there was talk, at different occasions, of nationalizing insurances. It was the case in Belgium, within the Labour Party.

Being an insurance society created by this same Labour Party, we had to adopt a public position. This position was not nationalization of insurances. We are against a state monopoly which generally kills all spirit of initiative and degenerates into a fiscal taxation. We therefore declared that it was better to let private societies handle their business in their own way.

But we agreed with the promoters of nationalization that distribution of profits did not tally with equity and with the idea of justice engraved in the heart of every man. The expansion of an insurance company depends mostly on the work of its staff, as well as on the development of the idea of providence by education and instruction.

It is unfair to see the financial results of these efforts and of this providence going only or chiefly to shareholders who haven't done anything about it. We therefore declared that co-operative principles provide for a modest interest on capital, that these principles should be respected and that the surplus of profit should be nationalized or socialized.

We considered that it was just to nationalize the profits, but not the activity. We applied this theory and, from 1927 on, our profits were mostly used not for an individual return to the policyholders, but for a collective return to the nation. We chose, as collective return, fight against diseases.

Today, after 32 years of work in this field, we have created a whole net of institutions which are of great help in improving public health in Belgium. They are:

(a) For children: holiday-center at the seaside (Clemskerke); holiday-center in the country (Singelbeek in Campine); preventorium for pre-tuberculous adolescents (Solières); orphanage (Solières).

(b) For the sick: fight against tuberculosis (Tombeek sanatorium); rheumatismal and cardiac diseases (Spa); decalcifying rheumatism—asthma—different kinds of allergies (Ostend).

Here we must give you a few explanations. A cure for rheumatism in Spa or Ostend must last at least three weeks. Staying in these places and having the required medical treatment means a lot of money. In days gone by, only rich people could afford this kind of medical treatment, for such expenses were prohibitive for modest workers.

“La Prévoyance Sociale” initiated social thermalism in Belgium. We bought the biggest hotels in these two towns, Spa and Ostend. We fitted them with the necessary medical equipment and organized life in strict keeping with the medical treatment, excluding all idea of tourism.

Thanks to this system, we were accepted by the Social Security services of our country and most of the expenses of lodging, food and medical treatment are taken over by these Social Security services.

Today, thanks to us, manual workers and people with a limited income are treated in the best conditions, whereas formerly it was impossible.

We also created functional and professional rehabilitation centers, adjoined to these establishments.

(c) Abnormal or cerebral-handicapped children (Solières and Schepdaal). In every country it happens that children are born with a cerebral or physical handicap following an injury to the brain, although the parents are perfectly normal in all respects. Generally these children are considered as a shame for the family, which suffers morally a lot and very often even tries to hide these children. Nothing is done to educate them or to try to develop their faculties: to teach them to talk, walk, etc. “La Prévoyance Sociale” created two institutions, with a specialized staff, where they take small children physically or mentally handicapped, and try to bring them as near as possible to normal conditions.

(d) Home for old people (Fallais). To complete our organi-

sation of help to the community, we bought a beautiful medieval castle (XIIIth century), which of course was completely modernized to make a comfortable home for old people of modest means.

2. In the spiritual field, we also contributed to enrich the patrimony of our country by creating the National Institute for Social History, called, since the war, "Institut Emile Vandervelde." There, are collected all possible works about the social and economic history of the past, and a group of research workers studies every new problem in this field.

3. To encourage the construction of new houses in Belgium, we participate in the capital of 40 building societies.

4. We also grant loans, sometimes very important, for the creation of clinics and polyclinics. I don't speak of the ordinary mortgage loans, which are of course practised on a large scale.

5. We are in touch with University of Brussels and give them a financial support. Recently we equipped a laboratory of the Faculty of Medicine with an electronic microscope. This laboratory was given the name of Joseph Lemaire. At present, we are debating with the University the question of creating a pilot laboratory, to determine the working capacity left to heart patients and to find their professional re-classification.

6. Always with the same aim, fight against diseases, we subsidize regularly the League against Cancer, the League against Tuberculosis, the National League against Poliomyelitis, the "Ligue-Braille" (National Institute for the Blind).

7. "La Prévoyance Sociale" joins in the health campaigns organized by the Belgian Red Cross.

8. Booklets giving health advices are widely diffused and especially distributed in the schools. In this case, we add a toothbrush to each booklet.

It is not always possible to distinguish clearly between social action, service rendered, propaganda and public relations. We will therefore go on with our enumeration without making any classification.

9. In the new building erected by "La Prévoyance Sociale" in Brussels, one floor was left free. It is regularly placed at the disposal of groups who ask for it, to organize meetings. For instance: the Central Committee of the International Co-operative Alliance, the Socialist International, the Confederation of Free Trade-Unions, the International Congress of Doctors, the Women's Association for the

Information and Defense of Consumers, the Committee of Preparation for the Congress of Actuaries which will be held in Brussels in 1960 and so on.

10. "La Prévoyance Sociale" has bought in the suburbs of Brussels a nice property which is used as school for the agents. It also contains football and basketball fields and tennis courts meant for our staff. This property is also at the disposal of groups wishing to give conferences or to organize seminars, such as the organizations of the Labour Party, Trade-Unions, Co-operative Movement, Women's Guild, Youth Organizations, etc.

We also have a number of initiatives meant for our policyholders alone. For instance:

11. Our life policies have four social clauses not to be found in any other company. They are: Free medical examination every other year, with free choice of the doctor; exemption of premium payment during three months for young mothers; daily allowance for policyholders who have to be admitted to a sanatorium; loan without interest, during five years, for surgical operations.

12. To all insured mothers we give a booklet with particulars about the baby and advice about infant-care. We add to it a layette.

13. In the schools, we distribute another booklet of health advice for the youth.

14. Cooking-books were distributed with the collaboration of the Co-operative Guilds.

15. All our "motor car" and "motorcycle" policyholders received an illustrated copy of traffic regulations, when the new regulations were issued.

16. Independently of these activities of our society in these various fields, the managers of "La Prevoyance Sociale" have other activities which are related to the idea of public relations. Each of them belongs to different co-operative or insurance groups, but we won't talk about that here. We want to underline more particularly the activities of the managers of the society on a more general scale of social interest. Let us give a few examples:

Joseph Lemaire is on the Board of the University of Brussels. He is also a member of the Executive Committee of the Belgian National League against Tuberculosis.

Raymond Lemaire is the first vice-president of the Belgian Red Cross. Following the death of the former president, Prince de Mérode, Raymond Lemaire assumed in fact, for one year, the presidency of the

Red Cross. The presidency of this organization became a stake in political and linguistic quarrels in our country and, finally, to put an end to it, the king's brother, Prince Albert, was asked to take this post. He accepted. At present Prince Albert is president of the Red Cross and Raymond Lemaire is the first vice-president. For many years he was also chairman of the Belgian Workers Travellers Association. He is also president of the Oregon Elizabeth Sanatorium for tuberculosis of the bones, created by the Belgian government. And, lastly, he is on the Board of the Central Bank of Belgian Congo, which is the organisation issuing money in Belgian Congo.

I must apologize for talking about myself, but, as I am giving information, I believe I must make it as complete as possible. I am chairman of the Board of Directors of the Belgian Labour press. I also represent the Belgian Labour Party in various financial organisations created by the Belgian Government in the interest of the nation. I am a member of the General Committee of the National Savings Bank. I am also on the Board of the Bank Commission, control organisation created by Parliament after the world crisis of 1930, which caused the bankruptcy of many banks. And last, I am on the Board of the "Office Central de Crédit Hypothécaire" (Central Office for loans on mortgage), also established by the Belgian Government to standardize on the market the rate of interest of mortgage loans. This organisation also had the mission, after the war, of making an advance of capital, at the rate of 2%, to all victims of the war, to help them in rebuilding their houses or their factories. I am also general secretary of the "Ligue Braille", national institute for the blind. Of course, owing to these various activities, we find it impossible to devote all our time to problems of insurance. But we make a point of having with us an excellent team and the part we take in the different above mentioned organisations gives "La Prévoyance Sociale" a reputation which goes to place it amongst the companies most trusted by the whole population, i.e. the present and future policy-holders.

17. I must mention now a new fact which will be materialized next November. When "La Prévoyance Sociale" celebrated its 50th anniversary and inaugurated the most modern building in Belgium, the board of directors decided on the creation of a new foundation called "Joseph Lemaire Foundation." What are the aims of this foundation? To preserve forever the memory of the man who, for so many years, was the general manager and spiritual leader of the society. It was Joseph Lemaire who was the promoter of socialization of profits and

who put this idea into practice. The Board therefore wished to create a foundation with the object of giving, every year or every other year, a prize to people or organizations which had distinguished themselves by a social or humanitarian action. In a word, we wanted particularly to encourage those who, like Joseph Lemaire, devoted their life to improve people's health and give them more happiness. Of course we wanted the laureate to be worthy of this aim and this was especially important for the first titular of the prize.

After much thought, we considered that the most perfect candidate was Dr. Albert Schweitzer. You know him. He was born in Alsace, near Strasburg. He started by studying music and theology. But when he understood the difficulties of life, he considered that his mission was to look after those who were in need of assistance. He was thirty years old, but went back to University to study medicine; his studies completed, he set out for the Gabon, in Africa, where he wanted to establish a hospital for Negroes, in Lambarene. Next to this hospital, he created a village for the care of lepers. At present, they have there 350 Negroes suffering from sleeping sickness and other diseases due to the climate, as well as 250 lepers. In Lambarene, there is also room for 20 white people. In order to find enough money for the needs of his hospital, Dr. Schweitzer made regular tours or organ recitals all through Europe. He is one of the best existing interpreters of Jean-Sebastian Bach. In 1954, Albert Schweitzer was also awarded the Nobel Prize for peace. All the money he collects is always assigned to improve his hospital and to give better treatment to his patients.

I wrote to Dr. Schweitzer telling him about the decision of the "Joseph Lemaire Foundation" and asking him if he could come to Brussels to receive the prize. He agreed and will be received, in the first days of November next, in the P.S. Building where we will solemnly give him the "Joseph Lemaire Foundation" prize. Needless to say that press, radio, television and cinema will be there. As soon as we heard of Dr. Schweitzer's acceptance, last October, I officially notified the newspapers, and the whole country heard of it. When, last month, a definite date for his visit to Brussels was decided upon, I notified the papers again.

All Belgium has the deepest admiration for Dr. Schweitzer and I received countless calls and letters from persons or organisations wishing to be introduced to Dr. Albert Schweitzer when he comes to "La Prévoyance Sociale". Of course, we decided to give him the prize because we think that it is a just and good thing, but, at the same

time, this fact certainly goes to increase the reputation of "La Prévoyance Sociale".

As you see, we consider, like our Swedish friends, that a co-operative insurance society can not merely devote itself to insurance pure and simple. It must be a dynamic element of social development, in order to improve men's conditions of living.

Co-operative insurance will take an ever increasing importance in the world. This is why we believe in its expansion.

The insurance sector brings to cooperation an effective help in the transformation of capitalist economy into a fraternal society which will ignore all opposition of interest. And thus will peace rule forever all over the world.

Closing Remarks

JERRY VOORHIS, U.S.A.

The presence in our country of cooperative insurance leaders from overseas has given us an inspiration and a vision we could not otherwise have had. You have done us untold good. We wish your story might be very much longer.

Now for a few brief reminders of our conference:

Henri Lemaire has just said to us that what you are and what you do speaks so loud people cannot hear what you say. What he has told us about public relations was that if a person or institution lives as a good citizen of its community or its nation, yes it needs still to tell its story, but it need worry very little about the effectiveness of that story. For what it is and what it does speaks so loud people *need* not hear what it says.

Our theme for the meeting was amended, quite properly I think, from "Insurance Plus" to "Security Plus"—security brought about by the people pooling their insecurities together, in mutual danger for mutual security, a sharing of life.

We have heard here that companies which undertake that kind of a role in human society should be responsible for such research as will bring about the best insurance product conceivable, that they should be responsible for better distribution of that product according to the needs of people and not according simply to sales programs, that they

should have the best of management, indeed if you will pardon me, that they should be the best damned insurance companies in their countries or regions, the fastest growing ones, the best ones, in order that the people may have financial strength, and in order that the only foundation may be laid on which the idealistic superstructure can be built.

Now what about the “plus?”

Mr. Apelqvist challenged us to recognize the inescapable duty to foster the development of democratic institutions like our own in every country in the world. He challenged us that we must recognize that this will be no easy task, and one not to be rushed into quickly, that careful study must be made, and problems recognized in order that they may be surmounted, but that this must be relentlessly done.

Another part of the “plus” is the concept that people’s money must be used for the people’s welfare, for the broad welfare of the entire community, for the financing of homes, of public projects, of other types of cooperation and cooperative institutions, for protection of people against the disease of inflation and the economic death of deflation.

In the third place. Another part of the plus is the readiness of these companies to stand along with other cooperatives as stalwart defenders of the most saving, most fundamental life principle of all, namely, mutual aid and cooperation. We’ve heard of unsolved problems and ways of solving them, of bringing about a conscious sense of responsibility and ownership on the part of policy owners and ways that have been taken to develop this, some of which have worked well. You’ve heard how control of savings is the key to freedom for peoples, how the control and use of their own credit is the gateway to economic strength and power. We heard from one speaker that the West is now surrounded by the world, an Arnold Toynbee quote, and another speaker asked us what kind of a world is it to be, a better world than man has ever dreamed of, or no world at all?

I was reminded of a story of a fishbowl into which some poison was put and when only a few fish were put in the bowl, they all died, but when many fish were put in the bowl, they all lived, because they all absorbed a little of the poison but not enough to destroy them. So it is with mankind. Unless many of us carry the burdens of all, we shall probably not survive or deserve to survive, and so it depends upon our recognition that, as the American sociologist, Ashley Montagu, has put it, man is born for cooperation, not for conflict.

The opportunity and responsibility centered in this group of people is as great perhaps as rests upon the shoulders of any other group of people in the whole world. I personally am confident that this group of people will discharge that responsibility and rise to that opportunity in the months and years that lie ahead.

Closing Remarks

ROBERT DINNAGE, Great Britain

The Conference was christened "Insurance Plus" and my own reaction is that the "Plus" part has been extremely valuable to us as insurance managers. Mr. Murray Lincoln, in the address which he prepared, but was unfortunately unable to deliver in person, states: "My only purpose in re-stating what has long been a fundamental cooperative objective is to remind all of us that man does not live by insurance alone and to suggest that in the long run the 'Plus' in our meeting's theme is even more important to us and to society than the 'Insurance'."

In certain remarks I made I stressed that under-developed countries should not rush into the establishment of an insurance society until they had some funds available and the prospects of stable business and effective management. Mr. Zilist seemed to feel that this was unsuitable advice and that delay would merely result in capitalistic societies filling the vacuum. I am afraid I am unrepentant. I still maintain that to start a society without a sound basis may lead to disaster and consequently reflect adversely on the development of cooperation generally.

As Mr. Apelvist and others stressed, the first step must be to establish cooperative trading. If this is done on a sound basis I do not see why eventually cooperative insurance should not be established even if in the meantime capitalistic insurance offices continue to operate.

I was a little disappointed at the discussion on Raymond Lemaire's paper on the International Cooperative Reinsurance Bureau, which is so fundamental to the development of cooperative insurance. It has been suggested to me that the majority of the delegates are not familiar with reinsurance matters which admittedly are somewhat technical,

and that most were afraid of asking questions which might appear to be silly. I hope that this was the explanation. However, next year we will ask Raymond Lemaire whether he can reintroduce the subject from a different angle. In the meantime I hope that he has stimulated interest in this most vital matter and that our American friends will get down to a study as to how they can participate in and widen the scope of the Bureau. I think Mr. Lincoln would regard this as a matter of urgency.

Wednesday morning's reports and discussions were in my opinion of extreme importance to us as managers, and there is no doubt that we could have spent many hours in questioning the four members of the panel on Sharing New Ideas for a New Era in Insurance.

I have already had several off-the-record talks with Ernest Klepetar on some of the points he raised, which are of so much importance to all of us. Mr. Klepetar emphasized the need for research on a joint basis to enable cooperative insurance societies to become leaders in the New Era. He has already interested several of us in the proposed investigation into the connection between serum cholesterol and coronary heart disease with which he is working with Professor Ancel Keys of the University of Minnesota.

I was very interested in Dean Jeffers' talk which showed so clearly that the problems which face Nationwide are not very dissimilar to those that we face in Europe. The disproportionate development of auto insurance is one which is concerning us in Manchester but I am glad to say we haven't yet reached 75% as being the proportion of our premium income in auto business.

I was interested in Dr. Strong's reference to the need to train the staff in their attitude to management and to questions of productivity and payment for relative skills. There is no doubt that in clerical work the assessment of skills is extremely difficult, but it has got to be attempted.

I hope we shall all go home and consider carefully the message given to us by Dr. Jucius. Apart from the need to free ourselves from routine work there was implicit in Dr. Jucius' talk the importance of ensuring that there is a properly trained succession in our offices.

Mr. Apelqvist's paper dealt with a matter which is foremost in all our minds and I have a feeling that as a result of this conference and the decision of the executive committee to send the International Co-operative Reinsurance Bureau to India next year, considerable impetus will have been given to this vital aspect of our work. I hope that Mr.

Desai will feel that he has met here a group of cooperators who do appreciate the sort of problem he is facing (in India) and that we are extremely anxious to help him solve it.

I thought Mr. Rondeau's summing-up of Wednesday's discussions was very good. He said: To be successful a cooperative must have *muscle and sinew*—this being the theme of Klepetar's, Jucius', Strong's and Jeffers' papers, and also a *heart*, which was the basis of Apelqvist's paper.

This morning's discussion also was most appropriate because it emphasized one of the problems we all have to face—that is how to reconcile our responsibilities to our policyholders with our desire to provide capital for the cooperative movement. It is comforting to know that one is not alone in having to face uninformed criticism on this matter. As Mr. Klepetar said to me at lunch today, "One hunchback is always pleased to meet another hunchback."

Exchange of information as outlined in Mr. Jacobson's paper is, of course, one of the objects of the Insurance Committee and the discussions we have had these last three days are an indication that we are achieving our objectives. These meetings also enable a meeting of personnel to take place and I venture to suggest that most of us have visited one another's offices at some time or another. There is no doubt, however, that exchange of personnel at lower ranks would be of great advantage. The difficulty is that most of us find it almost impossible to spare the type of man who would benefit by such an exchange, but this may be a short-sighted view or else we are by Dr. Jucius' standards under-staffed.

On Tuesday I very indiscreetly made some remarks on policy-owner participation before having heard Mr. Ihlenfeldt's address. Mr. Ihlenfeldt has made it clear to us how anxious they are at Mutual Service to ensure that they avoid management control. He has also made it clear that it is extremely difficult to make the policyholders take advantage of such schemes. It is only another facet of the worldwide problem of making democracy work. Nevertheless, it is a serious problem. Fortunately it doesn't seem to me that Mutual Service is likely to go down the wrong road whilst they have such men as Rondeau, Klepetar and Ihlenfeldt in control.

I am sure you all found Henri Lemaire's paper extremely interesting, not only as showing that there is more than one method of distributing the profits in a cooperative organization, but that what suits one country may not be suitable for another. There was a time when I was

far from enthusiastic about publicity and advertising. My views have changed considerably in recent years and nobody has done more to influence me in this than Henri Lemaire. I might not even yet be prepared to go all the way with him but I certainly admire his ability in this direction.

Henri referred in his remarks to the friendship which has been shown at this conference and I am sure that we are glad that although we have now reached the end of our conference most of us have still some further opportunities of meeting together.

I am sure that when we get to our homes, we shall look back with great pleasure on this conference, not only for the renewal of old friendships and the establishment of new friendships, but also for the thought-provoking papers and discussions. It has been a most successful conference, and in conclusion may I take a leaf out of Henri Lemaire's book and end on a public relations note. If there are any societies represented here who are not members of the I.C.A. Insurance Committee we hope they will join as soon as possible.