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SUPERVISING OUTWORKERS: THE CASE OF THE AMP AND THE SALE OF INDUSTRIAL LIFE INSURANCE 1905-1940

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ABSTRACT

The development of labor management practices in the financial services sector provides an interesting insight into how the problems associated with agency issues were overcome. Within financial institutions and other white collar occupations, the use of internal labor markets emerged as an effective means of both controlling and motivating employees. However such management techniques were only effective in cases where work tasks could be internalised. The business of some types of organizations necessitated a division between work tasks between those undertaken within the office and those undertaken outside the office. The management and sale of insurance products is a case in point. This paper explores the development of processes implemented to resolve a specific type of labor management issue, namely the control of workers under conditions of uncertainty. Using the example of the Australian Mutual Provident, (Australia's largest life insurer) it analyses how and why particular work relations procedures were developed.

The manner in which firms develop labor management processes in pursuing particular corporate growth strategies has been a particular focus of labor economists.[i] Analysis of specific firms and industries has found quite sophisticated labor management techniques in evidence from a quite early stage of business development.[ii] Within white collar industries in particular, practices which may be considered relatively modern innovations, have been in existence for long periods of time. The use of personnel practices such as internal labor markets and career ladders for example, were fundamental strategies adopted to solve a number of problems faced by the firm in relation to its labor force.[iii]

One aspect of the relationship between the firm and its labor force that has received scant attention is the way in which work relations strategies evolved to monitor and motivate in cases where the performance of the individual was not easily observable. In many white collar industries, such as banking and retailing, the internalisation of work tasks allowed monitoring systems to be developed which complemented the organizations administrative processes.[iv] This was not the case where the key functions of the organization were split, requiring both internal and external work tasks. The business of life insurance in Australia is a case in point. This industry, faced two differing sets of problems arising from the sales and management of insurance products. Separate and distinct labor markets evolved to solve these problems.

This paper explores the development of monitoring and motivating processes implemented to resolve a specific type of labor management issue, namely the control of workers under conditions of uncertainty. Using the example of the Australian Mutual Provident, (Australia's largest life insurer) it analyses how and why particular work relations procedures were developed. The focus is on the sale of insurance products and the workforce issues created. It considers the particular case of industrial insurance as an example of how resolutions to new labor management problems are developed within a firm.

The concerns confronting managers in the employment relationship can be classified as agency problems. The principal/agent model suggests that agents (such as employees) pursue their own goals and these do not necessarily coincide with those of the principals (the owners or managers of the firm). Information asymmetries allow agents to act opportunistically either through concealing information or concealing their actions.[v] The difference between the goals of principals and agents can be minimised in several ways. Incentive and monitoring devices can be instituted or contracts that tie the interests of management and workers formed. Different industries will have different approaches depending on how the principal/agent problem manifests itself. The rise of 'industrial personalism' which involved developing a close working relationship between worker and manager was one solution adopted in white collar occupations.[vi] The use of internal labor markets was another method used to overcome the difference between principals and agents. These approaches are predicated on the assumption that the principal is able to observe and monitor the agent within an closed working environment (that is an office). The nature of the agency problem and measures taken to resolve it were necessarily different in cases where there was an open working environment. In the sale of insurance products employee opportunism was a key issue. The potential for the agent to take advantage of the principal in any number of ways was heightened by the necessary physical divide between the two. Out in the field it was virtually impossible to supervise the agent to the same extent as indoor staff could be monitored. The problem became particularly significant with the introduction of policies for which weekly premiums were collected. The introduction of this type of policy meant that the agent was not only a salesman for the insurance office but also a collector of premiums. Added to the list of opportunistic behaviour the principal had to guard against, was also the possibility of theft, fraud and embezzlement.

This paper will proceed firstly by establishing the background to the development of labor management policies with respect to the sale of insurance. It will then consider the drivers for organisational change and the manner in which labor management problems altered. Finally the solutions adopted and the implications for the principal and agents will be analysed. The Australian Mutual Provident (AMP) is used as a case study in this respect, although there is evidence to suggest that the systems developed in this office were replicated in the other major life insurance offices both in Australia and Britain.[vii]

BACKGROUND

The Australian life insurance market has been historically dominated by a small number of mutual insurers. In Britain, major life insurers evolved as departments of composite insurance companies selling a range of insurance products.[viii] The leading Australian life insurers however, traced their foundations to co-operative values which had more in common with friendly societies than commercial insurers. Mutuality was a feature of the organisational structure of leading firms in the market until the demutualisation trend of the 1990s. The basis on which early mutual life offices operated was different to that of private insurers. Mutual life offices were established as societies representing groups of concerned citizens with a common affiliation, be it religious or philanthropic. The AMP is an example of this.

The basis on which early mutual life offices operated was different to that of private insurers. Although they became commercial operations, it was this mutual inheritance which set them apart from other market participants and gave the Australian industry its particular character. Mutual life offices were societies and each policy holder became a member of that society. As members, they had the power to enact by-laws, elect directors and manage the business as they saw fit. Initially profits of the business and its investment were distributed to members in the form of bonuses paid at periodic intervals. Later a distinction was made between participating and non participating policy holders. The latter not being eligible to receive bonuses.

The foundation of the AMP in NSW 1849 marked the beginning of an Australian life insurance industry however it took a further 20 years before comparable institutions emerged in the other colonies and the industry began to grow. During the intervening years, with limited competition, the AMP established itself as the market leader, a position it held for over 150 years.[ix] By 1890 these firms accounted for 88 per cent of new policies sold and 79 per cent of industry assets.[x] In comparison, the British market was characterised by much lower levels of concentration. The largest five companies accounted for only 35 per cent of premium income at this time.[xi] There was also a more diverse mix of organisational structures amongst British life insurers with mutuals, private and composite companies operating in the market.

By 1890 the major life insurers had evolved from their small co-operative base to become large competitive commercial operations. The reported assets of life insurers at this time were in excess of £16 million. It was estimated at the time, that during this period life offices issued over 300,000 policies, which was, on average, one policy per ten of the population of the colonies.[xii]

The expansion of life insurance societies was associated with the need to process large volumes of information accurately and efficiently. This led firms to develop processes to ensure the integrity of their data. Within the organization, work functions evolved in a similar manner to those in other financial institutions.[xiii] Procedures were departmentalised as much as possible, as a means of containing the volume of information processing and checking to manageable levels. Within each department there was a hierarchy of staff positions with senior positions overseeing junior positions. Labor management practices evolved in line with the administrative structure that reflected that of a typical U-form enterprise. The processes developed were very similar to that used in the banking sector. Banks faced similar problems in processing information and developing mechanisms to reduce opportunistic behaviour by staff.[xiv]

The organisational arrangements which evolved at the AMP were a reflection of the way in which life insurance companies operated. In 1849 it started with a very simple administrative structure. Operating out of rented premises the society consisted of a Board of Directors, a company secretary and messenger. The business of insurance was conducted by the Board which held weekly meetings to approve policy applications and direct the investment of funds. Initially policies were sold through advertising and through the recruitment of agencies in local towns.[xv]

By the 1890s the Principal Board was serviced by several sections. These were headed by the Actuary (who was the chief executive officer), the Chief Clerk, the Accountant and the Chief Messenger. An internal labor market emerged to support this structure. Such a system of labor management complemented the structured administrative procedures designed to deal with large volumes of data. Internal labor markets in life insurance firms and other white collar industries, such as banking, evolved to deal with specific issues in respect to the nature of the work and employment relationships. The transaction cost argument hypothesised by Williamson sees internal labor markets occurring because of efficiency issues. The importance of highly specialised tasks (idiosyncratic jobs) within the firm and the existence of 'organisational failure' characterised by transaction costs will lead it to adopt measures which will minimise these costs.[xvi] The failure of the external labor market to minimise transaction costs is heightened when firm specific knowledge of labor tasks becomes significant within the organization. This was particularly the case in the life insurance industry where a detailed knowledge of policy provisions and data management procedures was important to the firm.

Methods of selling life insurance also evolved as the life insurers developed their businesses on a more commercial footing. The reliance on part time agencies proved an ineffective way to sell insurance products. The complaint frequently made was that many agents did not actively tout for business but waited for customers to come to them.[xvii] The solution was to contract salesmen whose main source of income was from the sale of life insurance policies. Travelling agents or canvassing agents, as they were known were not considered employees of the firm but at the same time were prohibited from acting for other insurance companies. These agents travelled the country canvassing for customers. They were generally accompanied by a medical referee who conducted the required health check on the potential policy holder before their application was sent to the head office and principal board for approval. Agents were paid on a commission basis. The commission system was used to overcome some of the more obvious principal/agent problems that arose from the division between management and agent. It reduced shirking as the remuneration of the agent was tied to the amount of business he completed. However this system of payment could not prevent all types of opportunistic behaviour. The possibility of fraud or misrepresentation existed with the link between payment and the number of policies sold. To guard against this type of behaviour the insurance office had to devise additional methods of checks, controls and monitoring devices to protect its interests. At the AMP, the creation of branch and district offices provided a means for doing this. Branches of the Society were progressively divided into Districts as the business in particular regions increased. A prime function of the district office manager was to supervise the agent ensuring that the interests of the Society were protected. The district manager reported to the branch manager who reported directly to the Principal Board. In this way the principal board kept abreast of the performance of agents in the field. Whilst this system did not prevent all instances of opportunistic behaviour it did provide an information flow between management and field workers. Monitoring costs, became part of the hidden administrative costs associated with conducting business. Avoiding the potential damage a disreputable agent could do to the Society was considered more important than the expenses associated with supervision.

Progressively through the 1880s and 1890s life insurers such as the AMP were refining and developing their administrative and labor management processes. To this point organisational development was cumulative, building on past experience. However in the early 1900s, changing market conditions led to the adoption of a new approach to selling insurance products. The introduction of industrial insurance brought with it a different set of labor management issues. The manner in which these were addressed provide an insight into the relationship between managers and workers in the financial services sector.

THE INTRODUCTION OF INDUSTRIAL INSURANCE

Industrial insurance began in England in the 1850s. It involved the sale of a specific type of insurance policy for which small sums were collected weekly directly from the householder. The policy made provision for disability, old age and death benefits. It was targeted at the working classes who were unable to afford ordinary policies for which annual or quarterly premiums were paid. In Britain, the Prudential Insurance Company began selling industrial insurance in 1854, a decade later it was selling over 1,500 new policies a week.[xviii] It was the success of this line of business which saved the company from bankruptcy. In the USA industrial insurance commenced in the 1870s and grew rapidly during the next decade. Industrial insurance was introduced in Australia at around the same time as in the USA. The Australian system had more in common with the British model of selling industrial insurance than American method.[xix]

Two small life insurance offices, the Mutual Life and Citizens and the Temperance and General were the main providers of industrial insurance. The larger life insurers were not interested in the provision of this type of insurance which they saw as costly and unprofitable. This position changed towards the end of the nineteenth century.

Increased competition and falling premium income re-ignited interest in alternative insurance markets.

The AMP experienced erratic movements in the sale of new policies and premium income over the decade of the 1890s.[xx] Part of problem occurred as a result of the general economic depression experienced in the colonies at the time. However there was also a general consensus that the market for life insurance policies had reached saturation given the country's limited population base.[xxi] The Principal Board expressed concern over the trend in new business on several occasions and commissioned several reports from the General Manager into the matter.[xxii] By 1903 the Board resolved that the establishment of an industrial branch was desirable. This decision had far reaching implications for the organisational structure of the firm. It involved the creation of a separate department which duplicated existing office systems. It also involved a new approach to the management of the field workers or insurance agents as the provision of industrial policies brought with it different labor issues to resolve.

Agency theory provides a useful structure for analysing the problems and responses to the labor management issues associated with the sale of industrial insurance. The existence of information asymmetry prevents the principal or manager of the firm from determining whether or not the agent is always acting in the interest of the organization. The problem faced by the principal was to devise monitoring and incentive mechanisms which would ensure the agent acted in the interest of the principal.[xxiii] In respect to the sale of industrial insurance the nature of the work provided an environment in which there was scope for the agent to behave opportunistically. This could occur through adverse selection, -disguising or manipulating information to their own benefit, or- moral hazard, - shirking or theft.

The nature of work undertaken by industrial agents was different to that of the ordinary canvassing agent in one critical aspect. The industrial agent not only sold policies, he collected premiums. The role of the industrial agent was to go from door to door in an allocated area selling policies. He would then return to that household each week to collect premiums. In addition to the risk of adverse selection associated with the sale of policies the principal now faced the possibility of fraud or theft. To reduce this risk insurance offices such as the AMP devised a series of screening, monitoring and incentive processes which by their bureaucratic nature added considerably to the cost of this form of insurance.

SCREENING PROCESSES

Appointment as a canvassing agent to sell industrial insurance for the AMP depended on a four stage process with the final appointment being approved by the manager of the industrial department. The manager was required to pay ‘due attention to the character, sobriety and general reliability’ of the applicant.[xxiv] An initial application detailing work experience was followed by a superintendent’s report, a medical report and the provision of a guarantor and fidelity guarantee.

The initial application required details on previous occupations, marital status, any previous work done for other insurance companies and the names of three referees. Referees were asked to make specific comments on the applicant’s employment history, whether they were sober and temperate, whether they were addicted to horse racing or gambling and whether they had any debts or liabilities.[xxv] Positive statements from both referees were critical in determining whether the applicant moved to the next stage of the application process. This stage involved an interview and report from the superintendent in charge of managing agents at the particular branch of the AMP. As superintendents themselves were closely monitored and judged on the success of their agents they were very particular about the appointments they recommended. They were advised to choose men who were used to dealing with the public. They were instructed to 'observe if your applicant has tact and personality, [the] slow moving and slow thinking laboring type are seldom of very much use to us'.[xxvi] Personality and aptitude along with a minimum standard of education were the basic requirements for the job. Age was also a qualifying factor, men over 50 were not employed, the preferred age group was between the mid twenties and mid thirties. The superintendent was also required to assess the respectability of the applicant. An example can be seen in the superintendent’s reports on four applicants for agents positions in the Goulburn district of New South Wales. Of the four, three were rejected, one on the grounds of ‘being in bad company’, another because of a bad reference and the third because he was studying to become a teacher.[xxvii]

In addition to referee and superintendents' reports a medical examination was also required. The applicant was obliged to detail any past medical conditions and pass an examination from a nominated medical practitioner. Even the existence of relatively minor ailments was sufficient grounds for non appointment.[xxviii] Following the medical report a further report was required from the person who agreed to act as guarantor for the applicant. This report detailed the financial position and social reputation of the applicant. Managers were required to personally interview guarantors to ensure the firm was able to obtain the appropriate security. A fidelity guarantee policy of £50 was originally required but was later replaced with an internal arrangement to which the agent contributed ten per cent of weekly earnings to an account set up by the office.[xxix]

Once the applicant had passed the selection testing procedure they were appointed on a probationary basis during which time more reports were conducted. The superintendent was required to report on the suitability of the new agent in terms of his ability as a collector of premiums, how he was received by the public, the neatness of his book work, how much new business he had written and whether or not he was a good salesman.

This system of recruitment was the first step in addressing the problems associated with adverse selection. It was reinforced by the existence of what was termed and 'Enquiry List' which was in effect a black list of persons not to be employed as agents by the Society. Each branch was required to keep a record of persons considered 'undesirable' for appointment as agents. Details of the individual were to be circulated to Head Office and other branches.[xxx] In this way the organization maintained a record of those unsuitable for agent positions. Checks were made of the Enquiry List before any appointment was made.

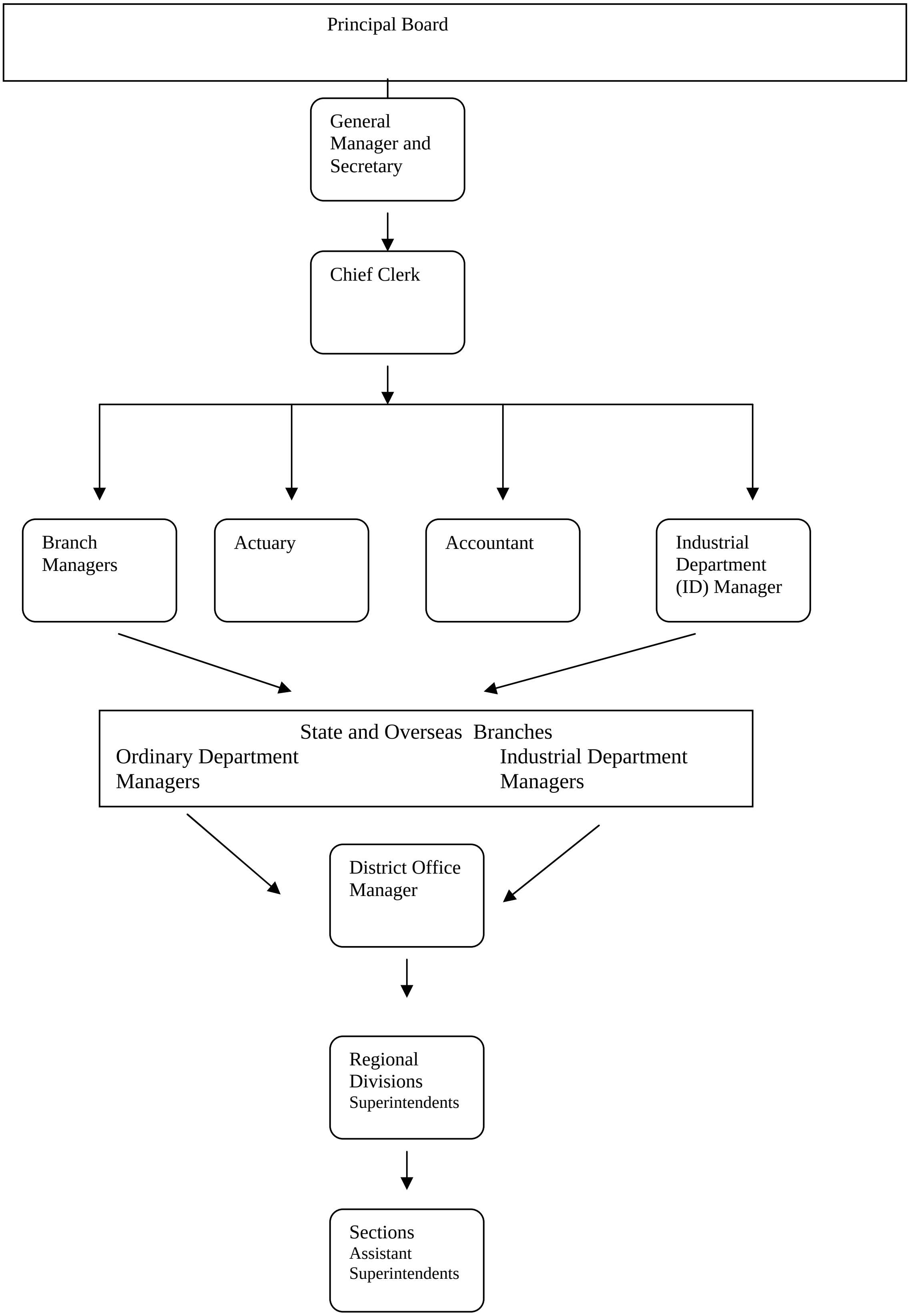
The selection process reduced the risk of opportunism on the part of agents by ensuring obviously unsuitable applicants were not appointed. However it was not sufficient to guard against all types of opportunistic behaviour. In recognition of this the AMP instituted a complex monitoring process designed to account for the agents actions on a daily basis.

MONITORING PROCESSESS

The structure of agent supervision reflected the organisational structure of the firm. When the Industrial Department was created in 1904 it replicated the branch structure system already in place. This structure is illustrated in Figure 1. Within each branch, the industrial department was divided into divisions under the control of a superintendent. The division was further divided into sections. Between two and seven sections made up a division. Between six to eight agents were grouped into a section. Each was managed by an assistant superintendent. Both the superintendent and assistant superintendent were salaried employees of the AMP, agents were paid on a commission basis and not considered employees of the firm. The role of the superintendent was to supervise and audit the work of the agent. Superintendents were set an annual target in relation to policy premium income their agents were expected to meet. They were judged on their success in controlling their divisions and their ability to hold business.[xxxi]

The responsibilities of superintendents and assistant superintendents commenced with the recruiting process. They were directed to ensure that their agency staff were composed of the ‘right type of men’ and told, ‘the growler, red ragger or man with a grievance should be quickly replaced as he cannot be enthused and spoils your influence on the remainder.’[xxxii] Upon appointment superintendents and assistants were responsible for the training of the agent and expected to develop a close personal relationship with them. This required working closely with the agent in the field. Superintendents were expected to regularly accompany agents on their rounds to 'advise' them on their canvassing methods.

Figure 1 AMP organisational structure 1920



The monitoring system was formalised into a rigid set of procedures. Checks were kept of agents both by their supervisor or superintendent and also by district and regional offices. On appointment agents were assigned a specific canvassing area, known as their 'debit'. They were required to canvas and collect premiums only in this area. Within their appointed debit agents were expected to follow a set route and order so that at any particular time on any particular day the superintendent knew exactly where they were. Superintendents were directed not to tolerate irregularities and changes in the route order.[xxxiii] This method of supervision was supplemented by the record keeping system imposed on the agent. Each agent was required to fill out and maintain a weekly collecting book. In addition he was required to maintain a premium receipt book which was held by the policy holder. Entries made by the agent in the collecting book and the policy holders receipt book were cross checked by superintendents periodically.

The collecting book provided an easy means of keeping track of the agent as his performance as well as recording the number of policies sold and premiums collected. Information was recorded on the particulars of households visited, policies sold, transferred or lapsed, premium arrears. The collecting book was handed to the superintendent at a weekly interview. The agent also provided a weekly premium account which summarised the balance of the debit from the last account, the change in the renewal debit, new premiums sold, net change in the ‘increase’ and cash collected and banked. This account formed the basis for the book keeping entries that comprised the office records of the department.

The superintendent was required to provide a weekly summary of all agencies under his control, a copy of which was sent to head office.[xxxiv] In addition to tracking the weekly performance of the agent this ledger provided the basis on which the commission payable to the agent was calculated. Agents were paid on the basis of the 'increase' in premiums. The ‘increase’ was the difference between new policies sold and policy lapses. This system ensured that agents did not produce 'fake' business, that is sign up policies for which premiums were not paid. Commission was payable on the difference between new policies sold and those for which premiums had been paid. The usual rate was 15 times the 'increase' in any given week.[xxxv]

Further checks and balances were conducted in the local office where the records of the agent were transferred to a series of journals and ledgers which provided a record of the business brought in by the agents in the district. The bookkeeping processes at the AMP were extensive and formed a double checking system in which office staff reviewed the entries made by both the agent and superintendent. Premium accounts recorded information on the agents 'increase', monthly debit returns, collections, arrears, new business, reinstatements of lapsed policies and policy holder addresses. These were reconciled with the cash collected accounts to ensure accuracy. In addition the agent's collecting book was returned to the office every six months for auditing by office staff. Audit cards were also used to recheck the agent's performance. These cards recorded the due date of the last premium which was then compared with the agent's receipt book.[xxxvi]

The checking system within the insurance office was supplementary to that carried out by the superintendent. In addition to the weekly review of the agent's progress, the superintendent was required to carry out spot audits in which he inspected the agent's debit without his knowledge. Agents that did not meet a minimum requirement of new business, or were found to be unsatisfactory in other respects were asked to respond or resign.[xxxvii] Further checks were done on the general performance of agents in an annual review conducted by the regional office. Employment records kept data on dates of appointment and resignation as well as terms and conditions. They also included comments from branch and regional managers on the character of the agent. These records provided a means by which the branch and head office managers could track the performance of agents in the field. The remarks made in these reports are indicative of the manner in which the office perceived its relationship with agents. Comments such as 'a fair agent but a cantankerous man', 'very pleasant personality-average producer', 'never likely to reach great heights', 'a fairly successful agent but a great drunkard' indicate the extent to which the Society monitored the behaviour of agents.[xxxviii] Those that didn't perform to the required standard were dismissed and placed on the Enquiry List previously mentioned.

The monitoring system was a reflection of the labor management systems implemented within the general organization of the society. These systems evolved from the essential nature of the work undertaken. Life insurance was an information processing industry. Errors in the gathering, recording and processing of information had the potential to be very damaging to life insurers whose whole business revolved around risk management. Firms developed sophisticated measures to ensure the integrity of their information. Methods of checking and cross checking data were easily translated into processes which could be used to monitor the performance of employees and agents. Within the office an internal labor market evolved which provided the security needed to protect the interests of the principal.[xxxix] In the field similar monitoring devices were applied to ensure minimise the risk of agency problems occurring. However these devices weren't sufficient to ensure the maximum effort from agents. The AMP soon found that other initiatives were needed to encourage performance and improve outcomes.

MOTIVATING PROCESSES

A rudimentary incentive scheme in the form of a bonus system was introduced some months after the commencement of industrial insurance sales. The first annual assessment of the progress of industrial insurance however, revealed disappointing results in respect of the amount of business brought in by agents.[xl] It was at this point that the decision was made to introduce more sophisticated incentive schemes to encourage extra effort from agents. Incentive strategies took three forms, bonuses, competitions and social engagement.

Initially agents who earned more than 2/- per week net 'increase' were eligible for a bonus. The bonus payable was up to 14 times the net increase depending on the size of the debit and the condition of the account. Bonuses were increased regularly to ensure that the incentive remained. Agents who earned less than 2/- a week were penalised and their performance regarded as unsatisfactory.[xli]

The bonus scheme, whilst it lifted performance, was not sufficient to achieve the outcomes designed by management. To complement it a system of competitions and prizes was devised. Competitions were held for the leading agent in each division, the agent with the highest net increase in a given period. The number of competitions was expanded so that for every month of the year some form of contest was in progress. They included competitions such as the Increase Competition, the Directors Trophy, the Chairman’s Trophy, the Elliot Challenge Shield, the Agents’ Competition, the Webber

Cup as well as State and Regional competitions. Prize nights were organised where winners were presented with cups and trophies in recognition of their achievements.

The competition system was also extended to superintendents and regional offices. The superintendent with the highest average ‘increase’ per agent was rewarded with the Victory Cup. Honour Boards for the champion salesman in each state were awarded each year to regional offices. A 'Millions Club' was established for those agents who sold more than one million pounds worth of policies in a given year.[xlii]

Engaging the agent with the interests of the Society and creating bonds with other agents was another tactic applied to motivate performance. Social gatherings in which agents could meet others and exchange experiences were regular occurrences. Agents received invitations to attend 'smoke socials' at which department managers attended and team building exercises conducted. A typical program included a variety of songs, dramatic recitations and comic sketches presented by participants, together with a speech from the general manager or regional manager. Picnics, cricket matches and other sporting contests were also organised by the Society with the aim of promoting closer bonds between the organization and its agents. From the 1920s an agent’s magazine was also published. The *Mutual Provident Bulletin* was published monthly. In addition to detailing results of competitions, it advised on how the agent could improve his selling techniques. It also provided anecdotes and humorous experiences by agents in the field. It was a facility for keeping agents connected with the Society but also with other agents in the field.

The motivation strategies implemented by the Society reveal much about its approach to labor management. Whilst supervision was a key concern, it was recognised that it was not sufficient to attain the sales goals set by management. Devices for promoting increased effort on the part of the agent had a paternalistic flavour to them reflecting the view of the Society of its relationship with agents. Whilst not wanting to acknowledge them as employees, they nevertheless felt it important reinforce their association with the Society

THE EFFECTIVENESS OF MONITORING AND MOTIVATING PROCESSES

Fear of cheating, theft or fraud, on the part of the agent was the driving force behind the introduction of such a rigid system of supervision. This fear outweighed concern over the expense of maintaining such a system, it was in the view of the Society, 'a question of tempering expense with expediency'.[xliii] As a strategy to minimise moral hazard the system was very successful. The records of the industrial department point to very few cases in which the Society was left out of pocket through the actions of the agent.[xliv] Those suspected of embezzlement were instantly dismissed and prosecuted through the courts. In most cases the money taken was repaid either by the individual or their guarantor. The AMP's legal office actively pursued monies owing and frequently threatened legal action against guarantors who failed to repay any debt left by the defaulting agent.[xlv] A further check was the fidelity guarantee paid by the agent. The balance of this was only returned 13 weeks after the agent had left the service of the society and after any monies due deducted. This also included deductions for policy lapses which occurred during this time. Agents were held responsible for all policy lapses within the first five years of sale.[xlvi]

Whilst the system may have been successful in preventing theft by the agent there were a number of negative effects which led to increased costs in other areas. The constraints placed on the agent in their work routine were considered by many to be onerous. Regional managers were constantly complaining of the difficulty in obtaining 'good' men for agency work. This was reflected in the turnover rate amongst agents. The average length of service in the 1930s was four years but many did not last that long.[xlvii] A survey of 147 industrial agents employed by the AMP in Victoria indicated that 60 per cent had been employed for less than five years and 89 per cent for less than ten years.[xlviii] The conditions of employment of industrial agents lead to accusations of sweating in the 1930s. The anti sweating league in Victoria was successful in lobbying government for an inquiry into the terms and conditions of employment. A report undertaken by the Victorian department of finance in 1936 was followed by a Royal Commission in 1938. Both inquiries concluded that whilst the average wage earned by agents was satisfactory, there were many who earned less than the basic wage for unskilled workers.[xlix] More serious concerns were expressed over some of the conditions under which agents were contracted. The practice of employing agents on a trial basis without remuneration was condemned, as was the lack of provision for sick leave and annual leave. The ‘increase’ system was criticised for the pressure it placed on agents to pursue lapsed policies or refund commission paid on those policies.[l]

Conditions that agents worked under were determined by the nature of the relationship between the firm and the canvassing agent. The Society was determined to ensure that agents were not considered employees of the office. The position of the agent was formalised in 1916 when the AMP agents agreement was altered to substitute references to master and servant for ‘principal and agent’. The aim of this change was specifically to place agents outside the scope of the wages system. It was not until the 1940s that this arrangement was successfully challenged and agents were considered to be employees of the firm.[li]

Despite criticism of the terms and conditions under which agents worked, the AMP was successful in creating a strong bond between many of its agents and the firm. Although rigid codes of behaviour were set for agents there was a strong element of paternalism in the firm’s approach to their agency staff. It was recognised that it was in the interests of the office to have agents ‘working contentedly’.[lii] Even though the agency contract did not require it, the AMP generally made arrangements for agents who for some reason or other were unable to work. Good agents who fell ill were also given a retainer for the period that they were unable to work. The office was generally sympathetic to agents, who had proved to be reliable, in times of personal crisis. In addition, terms and conditions offered by the AMP were as a rule, more generous than those of other life insurers.[liii] Approaches to social engagement reinforced the bond the firm was endeavouring to create with agents. This was further encouraged with support for the AMP agents association. This association was not an industrial organization but an internal union of agents, its functions were to build bonds between agents and the office through social activities. It also acted as a conduit through which the Society and agents could communicate. In bringing together its agency workforce this was an effective strategy and made a position as an AMP agent very sought after when compared with other life offices.

Actions on the part of the principal to avoid problems associated with adverse selection and moral hazard incurred agency costs. Monitoring expenses were an obvious cost of the agent supervision system established by the AMP. No precise data was kept on the breakdown of costs in the Industrial Department but costs were acknowledged to be high. Management considered that any expense rate that was less than 40 per cent of premium income was economical.[liv] In the 1920s and 1930s the expense ratio ranged between 27 and 36 per cent of premium income. The high cost of providing this type of insurance was one of the factors particularly noted by the 1938 Royal Commission as being unsatisfactory. The cost was attributed to the practice of collecting weekly premiums and the method of organising agents.[lv] Table 1 gives some indication of the level of costs for the provision of industrial insurance in one state – Victoria

Table 1: AMP, Industrial Department Expenses 1931

Expenses	£
Commission	188,024
Agents travel allowances	28,949
Superintendents Salaries	71,772
Superintendents travel	12,767
Office staff salaries	46,906
Office travel	538
General office expenses	16,678
Total Expenses	365,684
Total Revenue from premiums and interest	1,552,890
Expense ratio	23.5%

*excludes management expenses

Source: AMP Archives

Twenty-three per cent of the total cost of providing industrial insurance went on the monitoring of staff. The ratio of total expenses to revenue was 23.5 per cent.

The expense rate is of significance because it also represented a residual or welfare loss to other policy holders. Under the mutual form of organization participating policy holders as members of the Society were entitled to bonuses determined by the difference between the income and costs of the operation of the office. High expense rates in the sale of one type of insurance obviously impacted on the bonus payable. In general, participating policies were those sold as part of the ordinary business of the insurer. Industrial policies tended to be non participating meaning that the policy holder had no right to the bonus.

CONCLUSION

The AMP developed very comprehensive and complex monitoring and motivating devices in order to resolve particular labor management issues that arose with the sale of new types of insurance products. These processes reveal much about the way in which the firm perceived its relationship with its agents. The Society took deliberate steps to ensure that there was not a formal employer/employee relationship with the agent. Nevertheless agents were treated as employees and expected to conform to a rigid set of procedures and instructions in conducting their business.

Whilst the focus of this paper has been on the practices of one insurance office, there is evidence to suggest that this firm was not unique and that monitoring practices were common in most insurance offices in Australia and Britain.[lvi] In fact the AMP regularly sent its manager to investigate and report on systems used by insurance companies overseas. Many of the reported measures were implemented.[lvii] In Britain, the Prudential Assurance Company, one of the first to introduce industrial insurance, had developed very similar processes. Using a system of divisions, districts and agencies, the company constructed methods to monitor the behaviour of its agents in very similar ways to those employed at the AMP.[lviii] Similar methods were used at the Royal Exchange where efforts were also made to create a bond between the firm and agents and promote a corporate spirit.[lix]Australian life insurers followed the British model in implementing their systems of agency control.

In the USA resolution of the agency problems associated with the selling of life insurance were approached in a different manner. As was the case in Britain and Australia, an agency system, where agents were not considered employees of the insurance company, was used to sell life insurance.[lx] The same issues which arose with this relationship in Australia occurred in American markets. However, rather than develop bureaucratic systems of control, the approach taken was to move towards the professionalization of the insurance salesman. The National Association for Life

Underwriters together with visionaries such as Solomon Huebner sought to establish specialised education and training for insurance salesmen as early as 1912. The founding of the American College of Life Underwriters in 1927 was a first step in the formation an accreditation process which would lead to the professional development of insurance salesmen.[lxi] It was not until the 1950s that the Australian industry began to take steps to improve the education and training requirements of its agents as a precursor to the professionalization of the occupation.[lxii]

A driving force in the implementation of monitoring procedures was the fear that agents would behave opportunistically and pursue their own interests rather than those of the principal. This could take the form of misrepresentation, fraud or theft which might potentially damage the reputation of the Society and the confidence policy holders placed in it. A key problem the Society faced was in observing the behaviour of its representatives out in the field. To avoid the risk of agent opportunism it was necessary to align the interests of the principal and the agent as closely as possible. Monitoring mechanisms provided a means of checking the actions of the agent, whilst motivating processes sought to engage the agent and ensure the interests of both parties coincided.

Monitoring practices took several forms and were conducted in the field and within the office. Two notable features were the way in which procedures were devised to observe the behaviour of the agent out in the field and the manner in which checking systems were incorporated into office processes. The agent's working life was directed by a series of rules and regulations which were strictly scrutinised for compliance. Office bookkeeping systems doubled as a further checking mechanism so that any irregularities in the agent's work could be detected. In terms or preventing opportunistic behaviour on the part of the agent these measures were very effective. There were few recorded instances in which the AMP was out of pocket as a result of theft or fraud on the part of the agent.

The costs associated with this form of organization were high both in terms of the employment of supervisory staff and the duplication of effort in the checking systems used. This made industrial insurance one of the most costly forms of insurance to provide yet the firm was not unduly concerned about the expense ratio. The reason for this was the much greater concern for the reputation of the Society if policy holder confidence in the firm was undermined through the actions of agency staff. The relationship between the insurer and insured was based on trust. An undermining of that trust had the potential to ruin the firm in the long term. Minimising agency costs was a key consideration in the development of strategies designed to supervise insurance salesmen.

ENDNOTES

[i] Williamson et.al., ‘ Understanding the Employment Relation,’; Lazear, Economics of Personnel,’
[ii] Sundstrom, 'Internal Labor Markets,’ 424
[iii] For example see Merrett and Seltzer 'Work in the Financial Services Industry,’133-52.
[iv] Merrett and Selzter, ‘Work in Financial Services,’ 141; Carter and Carter, ‘Internal Labor Markets’, 589-94.
[v] Boyce and Ville, *The Development of Modern Business*, 35.
[vi] Boyce and Ville, *The Development of Modern Business*, 125.
[vii] Royal Commission on Industrial Life Assurance: Supple, *The Royal Exchange*, 287.
[viii] Supple, ‘Corporate Growth,’74.
[ix] Limited competition came from a small number of local and overseas general insurance companies all of which had ceased to trade in Australia by 1889. Keneley, ‘Evolution of the Life Insurance Industry’, 148.
[x] *Australasian Insurance and Banking Record*, (AIBR) 1891, p. 52.
[xi] Supple, Corporate growth, p. 72.
[xii] *AIBR*, 1891 43.
[xiii] Merrett and Seltzer, ‘Work in the Financial Services Industry,’ 135-40.
[xiv] Merrett and Seltzer, ‘Work in the Financial Services Industry,’ 134-5.
[xv] Blainey, *AMP*, 9-10
[xvi] Williamson,et. al., ‘Understanding the Employment Relation,’ 250-52: Creedy and Whitfield, ‘The Economic Analysis of Internal Labor Markets,’ 255.
[xvii] Blainey, *AMP*, 46.
[xviii] Gray, *Life Insurance*, 86.
[xix] Board of Trade Life Insurance Committee, 2-15.
[xx] Annual statement on new policies issued, *AIBR* 1890-1905.
[xxi] *AIBR*, 1893, 45.
[xxii] AMP Principal Board Minutes 5 December 1889, 16 April 1894, 17 November 1903,
[xxiii] Milgrom and Roberts, *An Economic Approach to Influence Activities,* S155-56.
[xxiv] AMP, Head Office Letterbook 23 December 1904.
[xxv] AMP, Agency Application Form 1904.
[xxvi] Superintendents Magazine October 1931, AMP papers, University of Melbourne Archives.
[xxvii] AMP, Industrial Department Letterbook 29 November 1904, AMP Archives, Sydney.
[xxviii] For example one applicant was rejected on the grounds of having haemorrhoids. Individual agency agreements, AMP Archives, Sydney.
[xxix] This account was held for 13 weeks after the agent left the firm to guard against any short falls in the agents cash books. Transcripts of Proceedings of the Royal Commission on Industrial Life Assurance 1938 , 777.
[xxx] AMP Industrial Department Branch Circular 18 August 1905.
[xxxi] AMP submission to the Royal Commission on Industrial Life Assurance 1938.
[xxxii] AMP Superintendents Magazine October 1931.
[xxxiii] AMP Superintendents Magazine January 1932.
[xxxiv] AMP, Industrial Department Branch Circulars, 21 January 1905.
[xxxv] Forristal, Conditions of Employment.
[xxxvi] AM*P* Industrial Department Branch Circulars, 29 May 1919.
[xxxvii] AMP, Industrial Department Circulars to Superintendents 6 January 1941.
[xxxviii] AMP Record of history of service of agents and brokers. AMP Tasmanian Branch c1911-20.
[xxxix]Keneley, 'In the Service of the Society'
[xl] AMP, Apperly's Special Letterbook, 9 November 1906.
[xli] Industrial Department Instructions to Agents 14 August 1905.
[xlii] Blainey, *AMP*, 197.
[xliii] Transcripts of Proceedings of the Royal Commission on Industrial Life Assurance 1938, 836.
[xliv] AMP, Solicitors Reports c 1920s.
[xlv] AMP, Solicitors Reports c 1920s.
[xlvi] AMP, Industrial Guard Book 13 October 1914.
[xlvii] Report of the Royal Commission on industrial Assurance, Appendix D; Forristal, Conditions of Employment 12.
[xlviii] AMP Submission to Royal Commission
[xlix] Report of the Royal Commission on Industrial Assurance, Appendix D; Forristal, Conditions of Employment 12-15.
[l] Forristal, Conditions of Employment 8.
[li] Application for NSW Life Insurance Field Officers Association for registration
[lii] AMP Submission to Royal Commission on Industrial Assurance

[liii] Forristal, Conditions of Employment 13.
[liv] Industrial Department Guard Book 13 October 1914.
[lv] Report of the Royal Commission on Industrial Assurance, 9.
[lvi] Robinson, Evolution of Industrial Life Assurance,1031-32; Eedy, Industrial Life Assurance, 590-91.
[lvii] AMP, Report of the General Manager of the AMP 14 April 1904, AMP, Chief Actuary's Report 23 August 1911.
[lviii] Dennett, A Sense of Security, 125-27.
[lix] Supple, Royal Exchange, 284-93.
[lx] Rotman Zelizer, *Morals andMarkets*,125-43.
[lxi] Vande Creek, Solomon Huebner, 660-64.
[lxii] AMP Information Digest 25 February 1952.

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SUPERVISING OUTWORKERS: THE CASE OF THE AMP AND THE SALE OF INDUSTRIAL LIFE INSURANCE 1905-1940.

ABSTRACT

The development of labor management practices in the financial services sector provides an interesting insight into how the problems associated with agency issues were overcome. Within financial institutions and other white collar occupations, the use of internal labor markets emerged as an effective means of both controlling and motivating employees. However such management techniques were only effective in cases where work tasks could be internalised. The business of some types of organizations necessitated a division between work tasks between those undertaken within the office and those undertaken outside the office. The management and sale of insurance products is a case in point. This paper explores the development of processes implemented to resolve a specific type of labor management issue, namely the control of workers under conditions of uncertainty. Using the example of the Australian Mutual Provident, (Australia's largest life insurer) it analyses how and why particular work relations procedures were developed.

The manner in which firms develop labor management processes in pursuing particular corporate growth strategies has been a particular focus of labor economists.[i] Analysis of specific firms and industries has found quite sophisticated labor management techniques in evidence from a quite early stage of business development.[ii] Within white collar industries in particular, practices which may be considered relatively modern innovations, have been in existence for long periods of time. The use of personnel practices such as internal labor markets and career ladders for example, were fundamental strategies adopted to solve a number of problems faced by the firm in relation to its labor force.[iii]

One aspect of the relationship between the firm and its labor force that has received scant attention is the way in which work relations strategies evolved to monitor and motivate in cases where the performance of the individual was not easily observable. In many white collar industries, such as banking and retailing, the internalisation of work tasks allowed monitoring systems to be developed which complemented the organizations administrative processes.[iv] This was not the case where the key functions of the organization were split, requiring both internal and external work tasks. The business of life insurance in Australia is a case in point. This industry, faced two differing sets of problems arising from the sales and management of insurance products. Separate and distinct labor markets evolved to solve these problems.

This paper explores the development of monitoring and motivating processes implemented to resolve a specific type of labor management issue, namely the control of workers under conditions of uncertainty. Using the example of the Australian Mutual Provident, (Australia's largest life insurer) it analyses how and why particular work relations procedures were developed. The focus is on the sale of insurance products and the workforce issues created. It considers the particular case of industrial insurance as an example of how resolutions to new labor management problems are developed within a firm.

The concerns confronting managers in the employment relationship can be classified as agency problems. The principal/agent model suggests that agents (such as employees) pursue their own goals and these do not necessarily coincide with those of the principals (the owners or managers of the firm). Information asymmetries allow agents to act opportunistically either through concealing information or concealing their actions.[v] The difference between the goals of principals and agents can be minimised in several ways. Incentive and monitoring devices can be instituted or contracts that tie the interests of management and workers formed. Different industries will have different approaches depending on how the principal/agent problem manifests itself. The rise of 'industrial personalism' which involved developing a close working relationship between worker and manager was one solution adopted in white collar occupations.[vi] The use of internal labor markets was another method used to overcome the difference between principals and agents. These approaches are predicated on the assumption that the principal is able to observe and monitor the agent within an closed working environment (that is an office). The nature of the agency problem and measures taken to resolve it were necessarily different in cases where there was an open working environment. In the sale of insurance products employee opportunism was a key issue. The potential for the agent to take advantage of the principal in any number of ways was heightened by the necessary physical divide between the two. Out in the field it was virtually impossible to supervise the agent to the same extent as indoor staff could be monitored. The problem became particularly significant with the introduction of policies for which weekly premiums were collected. The introduction of this type of policy meant that the agent was not only a salesman for the insurance office but also a collector of premiums. Added to the list of opportunistic behaviour the principal had to guard against, was also the possibility of theft, fraud and embezzlement.

This paper will proceed firstly by establishing the background to the development of labor management policies with respect to the sale of insurance. It will then consider the drivers for organisational change and the manner in which labor management problems altered. Finally the solutions adopted and the implications for the principal and agents will be analysed. The Australian Mutual Provident (AMP) is used as a case study in this respect, although there is evidence to suggest that the systems developed in this office were replicated in the other major life insurance offices both in Australia and Britain.[vii]

BACKGROUND

The Australian life insurance market has been historically dominated by a small number of mutual insurers. In Britain, major life insurers evolved as departments of composite insurance companies selling a range of insurance products.[viii] The leading Australian life insurers however, traced their foundations to co-operative values which had more in common with friendly societies than commercial insurers. Mutuality was a feature of the organisational structure of leading firms in the market until the demutualisation trend of the 1990s. The basis on which early mutual life offices operated was different to that of private insurers. Mutual life offices were established as societies representing groups of concerned citizens with a common affiliation, be it religious or philanthropic. The AMP is an example of this.

The basis on which early mutual life offices operated was different to that of private insurers. Although they became commercial operations, it was this mutual inheritance which set them apart from other market participants and gave the Australian industry its particular character. Mutual life offices were societies and each policy holder became a member of that society. As members, they had the power to enact by-laws, elect directors and manage the business as they saw fit. Initially profits of the business and its investment were distributed to members in the form of bonuses paid at periodic intervals. Later a distinction was made between participating and non participating policy holders. The latter not being eligible to receive bonuses.

The foundation of the AMP in NSW 1849 marked the beginning of an Australian life insurance industry however it took a further 20 years before comparable institutions emerged in the other colonies and the industry began to grow. During the intervening years, with limited competition, the AMP established itself as the market leader, a position it held for over 150 years.[ix] By 1890 these firms accounted for 88 per cent of new policies sold and 79 per cent of industry assets.[x] In comparison, the British market was characterised by much lower levels of concentration. The largest five companies accounted for only 35 per cent of premium income at this time.[xi] There was also a more diverse mix of organisational structures amongst British life insurers with mutuals, private and composite companies operating in the market.

By 1890 the major life insurers had evolved from their small co-operative base to become large competitive commercial operations. The reported assets of life insurers at this time were in excess of £16 million. It was estimated at the time, that during this period life offices issued over 300,000 policies, which was, on average, one policy per ten of the population of the colonies.[xii]

The expansion of life insurance societies was associated with the need to process large volumes of information accurately and efficiently. This led firms to develop processes to ensure the integrity of their data. Within the organization, work functions evolved in a similar manner to those in other financial institutions.[xiii] Procedures were departmentalised as much as possible, as a means of containing the volume of information processing and checking to manageable levels. Within each department there was a hierarchy of staff positions with senior positions overseeing junior positions. Labor management practices evolved in line with the administrative structure that reflected that of a typical U-form enterprise. The processes developed were very similar to that used in the banking sector. Banks faced similar problems in processing information and developing mechanisms to reduce opportunistic behaviour by staff.[xiv]

The organisational arrangements which evolved at the AMP were a reflection of the way in which life insurance companies operated. In 1849 it started with a very simple administrative structure. Operating out of rented premises the society consisted of a Board of Directors, a company secretary and messenger. The business of insurance was conducted by the Board which held weekly meetings to approve policy applications and direct the investment of funds. Initially policies were sold through advertising and through the recruitment of agencies in local towns.[xv]

By the 1890s the Principal Board was serviced by several sections. These were headed by the Actuary (who was the chief executive officer), the Chief Clerk, the Accountant and the Chief Messenger. An internal labor market emerged to support this structure. Such a system of labor management complemented the structured administrative procedures designed to deal with large volumes of data. Internal labor markets in life insurance firms and other white collar industries, such as banking, evolved to deal with specific issues in respect to the nature of the work and employment relationships. The transaction cost argument hypothesised by Williamson sees internal labor markets occurring because of efficiency issues. The importance of highly specialised tasks (idiosyncratic jobs) within the firm and the existence of 'organisational failure' characterised by transaction costs will lead it to adopt measures which will minimise these costs.[xvi] The failure of the external labor market to minimise transaction costs is heightened when firm specific knowledge of labor tasks becomes significant within the organization. This was particularly the case in the life insurance industry where a detailed knowledge of policy provisions and data management procedures was important to the firm.

Methods of selling life insurance also evolved as the life insurers developed their businesses on a more commercial footing. The reliance on part time agencies proved an ineffective way to sell insurance products. The complaint frequently made was that many agents did not actively tout for business but waited for customers to come to them.[xvii] The solution was to contract salesmen whose main source of income was from the sale of life insurance policies. Travelling agents or canvassing agents, as they were known were not considered employees of the firm but at the same time were prohibited from acting for other insurance companies. These agents travelled the country canvassing for customers. They were generally accompanied by a medical referee who conducted the required health check on the potential policy holder before their application was sent to the head office and principal board for approval. Agents were paid on a commission basis. The commission system was used to overcome some of the more obvious principal/agent problems that arose from the division between management and agent. It reduced shirking as the remuneration of the agent was tied to the amount of business he completed. However this system of payment could not prevent all types of opportunistic behaviour. The possibility of fraud or misrepresentation existed with the link between payment and the number of policies sold. To guard against this type of behaviour the insurance office had to devise additional methods of checks, controls and monitoring devices to protect its interests. At the AMP, the creation of branch and district offices provided a means for doing this. Branches of the Society were progressively divided into Districts as the business in particular regions increased. A prime function of the district office manager was to supervise the agent ensuring that the interests of the Society were protected. The district manager reported to the branch manager who reported directly to the Principal Board. In this way the principal board kept abreast of the performance of agents in the field. Whilst this system did not prevent all instances of opportunistic behaviour it did provide an information flow between management and field workers. Monitoring costs, became part of the hidden administrative costs associated with conducting business. Avoiding the potential damage a disreputable agent could do to the Society was considered more important than the expenses associated with supervision.

Progressively through the 1880s and 1890s life insurers such as the AMP were refining and developing their administrative and labor management processes. To this point organisational development was cumulative, building on past experience. However in the early 1900s, changing market conditions led to the adoption of a new approach to selling insurance products. The introduction of industrial insurance brought with it a different set of labor management issues. The manner in which these were addressed provide an insight into the relationship between managers and workers in the financial services sector.

THE INTRODUCTION OF INDUSTRIAL INSURANCE

Industrial insurance began in England in the 1850s. It involved the sale of a specific type of insurance policy for which small sums were collected weekly directly from the householder. The policy made provision for disability, old age and death benefits. It was targeted at the working classes who were unable to afford ordinary policies for which annual or quarterly premiums were paid. In Britain, the Prudential Insurance Company began selling industrial insurance in 1854, a decade later it was selling over 1,500 new policies a week.[xviii] It was the success of this line of business which saved the company from bankruptcy. In the USA industrial insurance commenced in the 1870s and grew rapidly during the next decade. Industrial insurance was introduced in Australia at around the same time as in the USA. The Australian system had more in common with the British model of selling industrial insurance than American method.[xix]

Two small life insurance offices, the Mutual Life and Citizens and the Temperance and General were the main providers of industrial insurance. The larger life insurers were not interested in the provision of this type of insurance which they saw as costly and unprofitable. This position changed towards the end of the nineteenth century.

Increased competition and falling premium income re-ignited interest in alternative insurance markets.

The AMP experienced erratic movements in the sale of new policies and premium income over the decade of the 1890s.[xx] Part of problem occurred as a result of the general economic depression experienced in the colonies at the time. However there was also a general consensus that the market for life insurance policies had reached saturation given the country's limited population base.[xxi] The Principal Board expressed concern over the trend in new business on several occasions and commissioned several reports from the General Manager into the matter.[xxii] By 1903 the Board resolved that the establishment of an industrial branch was desirable. This decision had far reaching implications for the organisational structure of the firm. It involved the creation of a separate department which duplicated existing office systems. It also involved a new approach to the management of the field workers or insurance agents as the provision of industrial policies brought with it different labor issues to resolve.

Agency theory provides a useful structure for analysing the problems and responses to the labor management issues associated with the sale of industrial insurance. The existence of information asymmetry prevents the principal or manager of the firm from determining whether or not the agent is always acting in the interest of the organization. The problem faced by the principal was to devise monitoring and incentive mechanisms which would ensure the agent acted in the interest of the principal.[xxiii] In respect to the sale of industrial insurance the nature of the work provided an environment in which there was scope for the agent to behave opportunistically. This could occur through adverse selection, -disguising or manipulating information to their own benefit, or- moral hazard, - shirking or theft.

The nature of work undertaken by industrial agents was different to that of the ordinary canvassing agent in one critical aspect. The industrial agent not only sold policies, he collected premiums. The role of the industrial agent was to go from door to door in an allocated area selling policies. He would then return to that household each week to collect premiums. In addition to the risk of adverse selection associated with the sale of policies the principal now faced the possibility of fraud or theft. To reduce this risk insurance offices such as the AMP devised a series of screening, monitoring and incentive processes which by their bureaucratic nature added considerably to the cost of this form of insurance.

SCREENING PROCESSES

Appointment as a canvassing agent to sell industrial insurance for the AMP depended on a four stage process with the final appointment being approved by the manager of the industrial department. The manager was required to pay ‘due attention to the character, sobriety and general reliability’ of the applicant.[xxiv] An initial application detailing work experience was followed by a superintendent’s report, a medical report and the provision of a guarantor and fidelity guarantee.

The initial application required details on previous occupations, marital status, any previous work done for other insurance companies and the names of three referees. Referees were asked to make specific comments on the applicant’s employment history, whether they were sober and temperate, whether they were addicted to horse racing or gambling and whether they had any debts or liabilities.[xxv] Positive statements from both referees were critical in determining whether the applicant moved to the next stage of the application process. This stage involved an interview and report from the superintendent in charge of managing agents at the particular branch of the AMP. As superintendents themselves were closely monitored and judged on the success of their agents they were very particular about the appointments they recommended. They were advised to choose men who were used to dealing with the public. They were instructed to 'observe if your applicant has tact and personality, [the] slow moving and slow thinking laboring type are seldom of very much use to us'.[xxvi] Personality and aptitude along with a minimum standard of education were the basic requirements for the job. Age was also a qualifying factor, men over 50 were not employed, the preferred age group was between the mid twenties and mid thirties. The superintendent was also required to assess the respectability of the applicant. An example can be seen in the superintendent’s reports on four applicants for agents positions in the Goulburn district of New South Wales. Of the four, three were rejected, one on the grounds of ‘being in bad company’, another because of a bad reference and the third because he was studying to become a teacher.[xxvii]

In addition to referee and superintendents' reports a medical examination was also required. The applicant was obliged to detail any past medical conditions and pass an examination from a nominated medical practitioner. Even the existence of relatively minor ailments was sufficient grounds for non appointment.[xxviii] Following the medical report a further report was required from the person who agreed to act as guarantor for the applicant. This report detailed the financial position and social reputation of the applicant. Managers were required to personally interview guarantors to ensure the firm was able to obtain the appropriate security. A fidelity guarantee policy of £50 was originally required but was later replaced with an internal arrangement to which the agent contributed ten per cent of weekly earnings to an account set up by the office.[xxix]

Once the applicant had passed the selection testing procedure they were appointed on a probationary basis during which time more reports were conducted. The superintendent was required to report on the suitability of the new agent in terms of his ability as a collector of premiums, how he was received by the public, the neatness of his book work, how much new business he had written and whether or not he was a good salesman.

This system of recruitment was the first step in addressing the problems associated with adverse selection. It was reinforced by the existence of what was termed and 'Enquiry List' which was in effect a black list of persons not to be employed as agents by the Society. Each branch was required to keep a record of persons considered 'undesirable' for appointment as agents. Details of the individual were to be circulated to Head Office and other branches.[xxx] In this way the organization maintained a record of those unsuitable for agent positions. Checks were made of the Enquiry List before any appointment was made.

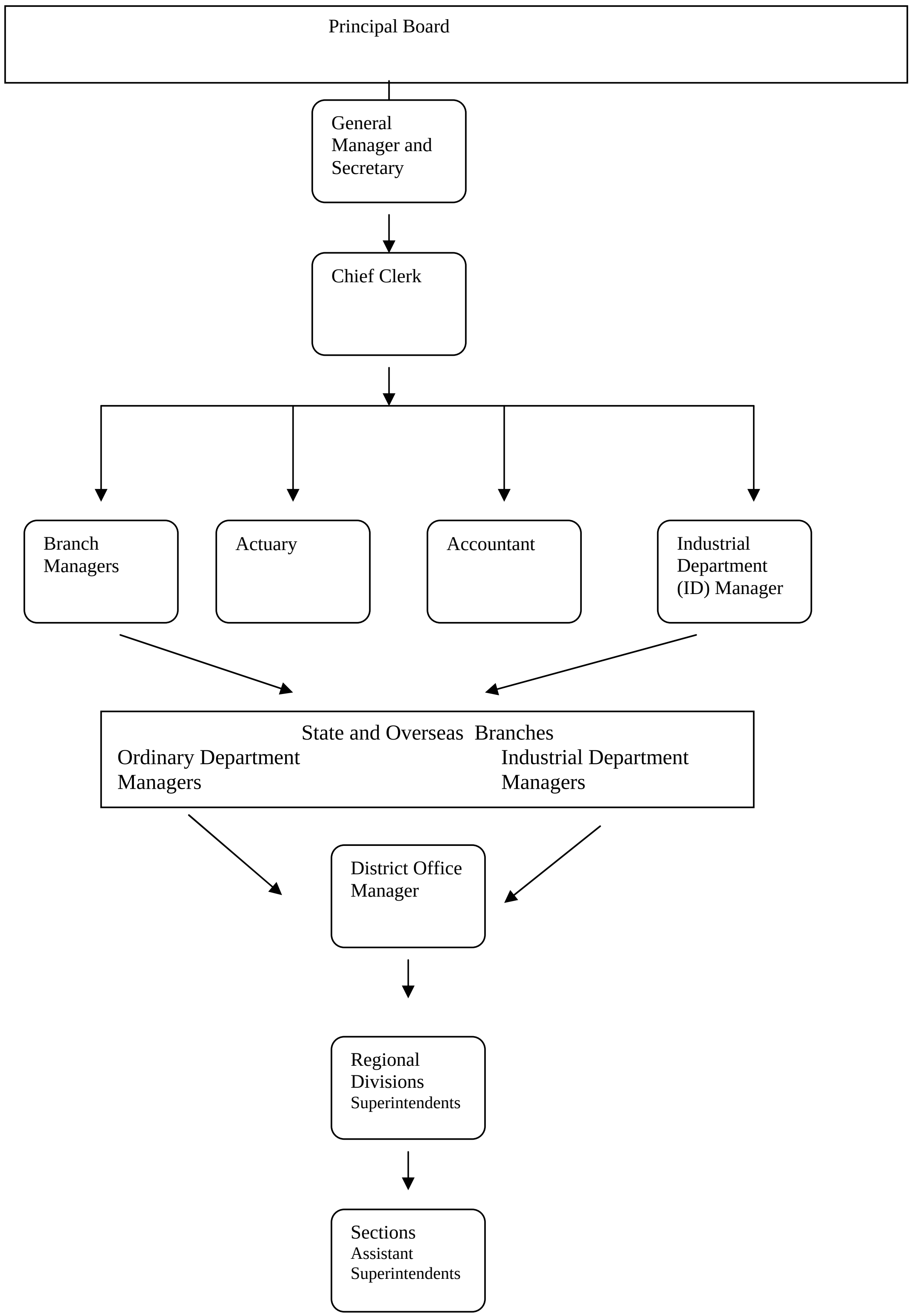
The selection process reduced the risk of opportunism on the part of agents by ensuring obviously unsuitable applicants were not appointed. However it was not sufficient to guard against all types of opportunistic behaviour. In recognition of this the AMP instituted a complex monitoring process designed to account for the agents actions on a daily basis.

MONITORING PROCESSESS

The structure of agent supervision reflected the organisational structure of the firm. When the Industrial Department was created in 1904 it replicated the branch structure system already in place. This structure is illustrated in Figure 1. Within each branch, the industrial department was divided into divisions under the control of a superintendent. The division was further divided into sections. Between two and seven sections made up a division. Between six to eight agents were grouped into a section. Each was managed by an assistant superintendent. Both the superintendent and assistant superintendent were salaried employees of the AMP, agents were paid on a commission basis and not considered employees of the firm. The role of the superintendent was to supervise and audit the work of the agent. Superintendents were set an annual target in relation to policy premium income their agents were expected to meet. They were judged on their success in controlling their divisions and their ability to hold business.[xxxi]

The responsibilities of superintendents and assistant superintendents commenced with the recruiting process. They were directed to ensure that their agency staff were composed of the ‘right type of men’ and told, ‘the growler, red ragger or man with a grievance should be quickly replaced as he cannot be enthused and spoils your influence on the remainder.’[xxxii] Upon appointment superintendents and assistants were responsible for the training of the agent and expected to develop a close personal relationship with them. This required working closely with the agent in the field. Superintendents were expected to regularly accompany agents on their rounds to 'advise' them on their canvassing methods.

Figure 1 AMP organisational structure 1920



The monitoring system was formalised into a rigid set of procedures. Checks were kept of agents both by their supervisor or superintendent and also by district and regional offices. On appointment agents were assigned a specific canvassing area, known as their 'debit'. They were required to canvas and collect premiums only in this area. Within their appointed debit agents were expected to follow a set route and order so that at any particular time on any particular day the superintendent knew exactly where they were. Superintendents were directed not to tolerate irregularities and changes in the route order.[xxxiii] This method of supervision was supplemented by the record keeping system imposed on the agent. Each agent was required to fill out and maintain a weekly collecting book. In addition he was required to maintain a premium receipt book which was held by the policy holder. Entries made by the agent in the collecting book and the policy holders receipt book were cross checked by superintendents periodically.

The collecting book provided an easy means of keeping track of the agent as his performance as well as recording the number of policies sold and premiums collected. Information was recorded on the particulars of households visited, policies sold, transferred or lapsed, premium arrears. The collecting book was handed to the superintendent at a weekly interview. The agent also provided a weekly premium account which summarised the balance of the debit from the last account, the change in the renewal debit, new premiums sold, net change in the ‘increase’ and cash collected and banked. This account formed the basis for the book keeping entries that comprised the office records of the department.

The superintendent was required to provide a weekly summary of all agencies under his control, a copy of which was sent to head office.[xxxiv] In addition to tracking the weekly performance of the agent this ledger provided the basis on which the commission payable to the agent was calculated. Agents were paid on the basis of the 'increase' in premiums. The ‘increase’ was the difference between new policies sold and policy lapses. This system ensured that agents did not produce 'fake' business, that is sign up policies for which premiums were not paid. Commission was payable on the difference between new policies sold and those for which premiums had been paid. The usual rate was 15 times the 'increase' in any given week.[xxxv]

Further checks and balances were conducted in the local office where the records of the agent were transferred to a series of journals and ledgers which provided a record of the business brought in by the agents in the district. The bookkeeping processes at the AMP were extensive and formed a double checking system in which office staff reviewed the entries made by both the agent and superintendent. Premium accounts recorded information on the agents 'increase', monthly debit returns, collections, arrears, new business, reinstatements of lapsed policies and policy holder addresses. These were reconciled with the cash collected accounts to ensure accuracy. In addition the agent’s collecting book was returned to the office every six months for auditing by office staff. Audit cards were also used to recheck the agent's performance. These cards recorded the due date of the last premium which was then compared with the agent's receipt book.[xxxvi]

The checking system within the insurance office was supplementary to that carried out by the superintendent. In addition to the weekly review of the agent's progress, the superintendent was required to carry out spot audits in which he inspected the agent's debit without his knowledge. Agents that did not meet a minimum requirement of new business, or were found to be unsatisfactory in other respects were asked to respond or resign.[xxxvii] Further checks were done on the general performance of agents in an annual review conducted by the regional office. Employment records kept data on dates of appointment and resignation as well as terms and conditions. They also included comments from branch and regional managers on the character of the agent. These records provided a means by which the branch and head office managers could track the performance of agents in the field. The remarks made in these reports are indicative of the manner in which the office perceived its relationship with agents. Comments such as 'a fair agent but a cantankerous man', 'very pleasant personality-average producer', 'never likely to reach great heights', 'a fairly successful agent but a great drunkard' indicate the extent to which the Society monitored the behaviour of agents.[xxxviii] Those that didn't perform to the required standard were dismissed and placed on the Enquiry List previously mentioned.

The monitoring system was a reflection of the labor management systems implemented within the general organization of the society. These systems evolved from the essential nature of the work undertaken. Life insurance was an information processing industry. Errors in the gathering, recording and processing of information had the potential to be very damaging to life insurers whose whole business revolved around risk management. Firms developed sophisticated measures to ensure the integrity of their information. Methods of checking and cross checking data were easily translated into processes which could be used to monitor the performance of employees and agents. Within the office an internal labor market evolved which provided the security needed to protect the interests of the principal.[xxxix] In the field similar monitoring devices were applied to ensure minimise the risk of agency problems occurring. However these devices weren't sufficient to ensure the maximum effort from agents. The AMP soon found that other initiatives were needed to encourage performance and improve outcomes.

MOTIVATING PROCESSES

A rudimentary incentive scheme in the form of a bonus system was introduced some months after the commencement of industrial insurance sales. The first annual assessment of the progress of industrial insurance however, revealed disappointing results in respect of the amount of business brought in by agents.[xl] It was at this point that the decision was made to introduce more sophisticated incentive schemes to encourage extra effort from agents. Incentive strategies took three forms, bonuses, competitions and social engagement.

Initially agents who earned more than 2/- per week net 'increase' were eligible for a bonus. The bonus payable was up to 14 times the net increase depending on the size of the debit and the condition of the account. Bonuses were increased regularly to ensure that the incentive remained. Agents who earned less than 2/- a week were penalised and their performance regarded as unsatisfactory.[xli]

The bonus scheme, whilst it lifted performance, was not sufficient to achieve the outcomes designed by management. To complement it a system of competitions and prizes was devised. Competitions were held for the leading agent in each division, the agent with the highest net increase in a given period. The number of competitions was expanded so that for every month of the year some form of contest was in progress. They included competitions such as the Increase Competition, the Directors Trophy, the Chairman’s Trophy, the Elliot Challenge Shield, the Agents’ Competition, the Webber

Cup as well as State and Regional competitions. Prize nights were organised where winners were presented with cups and trophies in recognition of their achievements.

The competition system was also extended to superintendents and regional offices. The superintendent with the highest average ‘increase’ per agent was rewarded with the Victory Cup. Honour Boards for the champion salesman in each state were awarded each year to regional offices. A 'Millions Club' was established for those agents who sold more than one million pounds worth of policies in a given year.[xlii]

Engaging the agent with the interests of the Society and creating bonds with other agents was another tactic applied to motivate performance. Social gatherings in which agents could meet others and exchange experiences were regular occurrences. Agents received invitations to attend 'smoke socials' at which department managers attended and team building exercises conducted. A typical program included a variety of songs, dramatic recitations and comic sketches presented by participants, together with a speech from the general manager or regional manager. Picnics, cricket matches and other sporting contests were also organised by the Society with the aim of promoting closer bonds between the organization and its agents. From the 1920s an agent’s magazine was also published. The *Mutual Provident Bulletin* was published monthly. In addition to detailing results of competitions, it advised on how the agent could improve his selling techniques. It also provided anecdotes and humorous experiences by agents in the field. It was a facility for keeping agents connected with the Society but also with other agents in the field.

The motivation strategies implemented by the Society reveal much about its approach to labor management. Whilst supervision was a key concern, it was recognised that it was not sufficient to attain the sales goals set by management. Devices for promoting increased effort on the part of the agent had a paternalistic flavour to them reflecting the view of the Society of its relationship with agents. Whilst not wanting to acknowledge them as employees, they nevertheless felt it important reinforce their association with the Society

Fear of cheating, theft or fraud, on the part of the agent was the driving force behind the introduction of such a rigid system of supervision. This fear outweighed concern over the expense of maintaining such a system, it was in the view of the Society, 'a question of tempering expense with expediency'.[xliii] As a strategy to minimise moral hazard the system was very successful. The records of the industrial department point to very few cases in which the Society was left out of pocket through the actions of the agent.[xliv] Those suspected of embezzlement were instantly dismissed and prosecuted through the courts. In most cases the money taken was repaid either by the individual or their guarantor. The AMP’s legal office actively pursued monies owing and frequently threatened legal action against guarantors who failed to repay any debt left by the defaulting agent.[xlv] A further check was the fidelity guarantee paid by the agent. The balance of this was only returned 13 weeks after the agent had left the service of the society and after any monies due deducted. This also included deductions for policy lapses which occurred during this time. Agents were held responsible for all policy lapses within the first five years of sale.[xlvi]

Whilst the system may have been successful in preventing theft by the agent there were a number of negative effects which led to increased costs in other areas. The constraints placed on the agent in their work routine were considered by many to be onerous. Regional managers were constantly complaining of the difficulty in obtaining 'good' men for agency work. This was reflected in the turnover rate amongst agents. The average length of service in the 1930s was four years but many did not last that long.[xlvii] A survey of 147 industrial agents employed by the AMP in Victoria indicated that 60 per cent had been employed for less than five years and 89 per cent for less than ten years.[xlviii] The conditions of employment of industrial agents lead to accusations of sweating in the 1930s. The anti sweating league in Victoria was successful in lobbying government for an inquiry into the terms and conditions of employment. A report undertaken by the Victorian department of finance in 1936 was followed by a Royal Commission in 1938. Both inquiries concluded that whilst the average wage earned by agents was satisfactory, there were many who earned less than the basic wage for unskilled workers.[xlix] More serious concerns were expressed over some of the conditions under which agents were contracted. The practice of employing agents on a trial basis without remuneration was condemned, as was the lack of provision for sick leave and annual leave. The ‘increase’ system was criticised for the pressure it placed on agents to pursue lapsed policies or refund commission paid on those policies.[l]

Conditions that agents worked under were determined by the nature of the relationship between the firm and the canvassing agent. The Society was determined to ensure that agents were not considered employees of the office. The position of the agent was formalised in 1916 when the AMP agents agreement was altered to substitute references to master and servant for ‘principal and agent’. The aim of this change was specifically to place agents outside the scope of the wages system. It was not until the 1940s that this arrangement was successfully challenged and agents were considered to be employees of the firm.[li]

Despite criticism of the terms and conditions under which agents worked, the AMP was successful in creating a strong bond between many of its agents and the firm. Although rigid codes of behaviour were set for agents there was a strong element of paternalism in the firm’s approach to their agency staff. It was recognised that it was in the interests of the office to have agents ‘working contentedly’.[lii] Even though the agency contract did not require it, the AMP generally made arrangements for agents who for some reason or other were unable to work. Good agents who fell ill were also given a retainer for the period that they were unable to work. The office was generally sympathetic to agents, who had proved to be reliable, in times of personal crisis. In addition, terms and conditions offered by the AMP were as a rule, more generous than those of other life insurers.[liii] Approaches to social engagement reinforced the bond the firm was endeavouring to create with agents. This was further encouraged with support for the AMP agents association. This association was not an industrial organization but an internal union of agents, its functions were to build bonds between agents and the office through social activities. It also acted as a conduit through which the Society and agents could communicate. In bringing together its agency workforce this was an effective strategy and made a position as an AMP agent very sought after when compared with other life offices.

Actions on the part of the principal to avoid problems associated with adverse selection and moral hazard incurred agency costs. Monitoring expenses were an obvious cost of the agent supervision system established by the AMP. No precise data was kept on the breakdown of costs in the Industrial Department but costs were acknowledged to be high. Management considered that any expense rate that was less than 40 per cent of premium income was economical.[liv] In the 1920s and 1930s the expense ratio ranged between 27 and 36 per cent of premium income. The high cost of providing this type of insurance was one of the factors particularly noted by the 1938 Royal Commission as being unsatisfactory. The cost was attributed to the practice of collecting weekly premiums and the method of organising agents.[lv] Table 1 gives some indication of the level of costs for the provision of industrial insurance in one state – Victoria

Table 1: AMP, Industrial Department Expenses 1931

Expenses	£
Commission	188,024
Agents travel allowances	28,949
Superintendents Salaries	71,772
Superintendents travel	12,767
Office staff salaries	46,906
Office travel	538
General office expenses	16,678
Total Expenses	365,684
Total Revenue from premiums and interest	1,552,890
Expense ratio	23.5%

*excludes management expenses

Source: AMP Archives

Twenty-three per cent of the total cost of providing industrial insurance went on the monitoring of staff. The ratio of total expenses to revenue was 23.5 per cent.

The expense rate is of significance because it also represented a residual or welfare loss to other policy holders. Under the mutual form of organization participating policy holders as members of the Society were entitled to bonuses determined by the difference between the income and costs of the operation of the office. High expense rates in the sale of one type of insurance obviously impacted on the bonus payable. In general, participating policies were those sold as part of the ordinary business of the insurer. Industrial policies tended to be non participating meaning that the policy holder had no right to the bonus.

CONCLUSION

The AMP developed very comprehensive and complex monitoring and motivating devices in order to resolve particular labor management issues that arose with the sale of new types of insurance products. These processes reveal much about the way in which the firm perceived its relationship with its agents. The Society took deliberate steps to ensure that there was not a formal employer/employee relationship with the agent. Nevertheless agents were treated as employees and expected to conform to a rigid set of procedures and instructions in conducting their business.

Whilst the focus of this paper has been on the practices of one insurance office, there is evidence to suggest that this firm was not unique and that monitoring practices were common in most insurance offices in Australia and Britain.[lvi] In fact the AMP regularly sent its manager to investigate and report on systems used by insurance companies overseas. Many of the reported measures were implemented.[lvii] In Britain, the Prudential Assurance Company, one of the first to introduce industrial insurance, had developed very similar processes. Using a system of divisions, districts and agencies, the company constructed methods to monitor the behaviour of its agents in very similar ways to those employed at the AMP.[lviii] Similar methods were used at the Royal Exchange where efforts were also made to create a bond between the firm and agents and promote a corporate spirit.[lix]Australian life insurers followed the British model in implementing their systems of agency control.

In the USA resolution of the agency problems associated with the selling of life insurance were approached in a different manner. As was the case in Britain and Australia, an agency system, where agents were not considered employees of the insurance company, was used to sell life insurance.[lx] The same issues which arose with this relationship in Australia occurred in American markets. However, rather than develop bureaucratic systems of control, the approach taken was to move towards the professionalization of the insurance salesman. The National Association for Life

Underwriters together with visionaries such as Solomon Huebner sought to establish specialised education and training for insurance salesmen as early as 1912. The founding of the American College of Life Underwriters in 1927 was a first step in the formation an accreditation process which would lead to the professional development of insurance salesmen.[lxi] It was not until the 1950s that the Australian industry began to take steps to improve the education and training requirements of its agents as a precursor to the professionalization of the occupation.[lxii]

A driving force in the implementation of monitoring procedures was the fear that agents would behave opportunistically and pursue their own interests rather than those of the principal. This could take the form of misrepresentation, fraud or theft which might potentially damage the reputation of the Society and the confidence policy holders placed in it. A key problem the Society faced was in observing the behaviour of its representatives out in the field. To avoid the risk of agent opportunism it was necessary to align the interests of the principal and the agent as closely as possible. Monitoring mechanisms provided a means of checking the actions of the agent, whilst motivating processes sought to engage the agent and ensure the interests of both parties coincided.

Monitoring practices took several forms and were conducted in the field and within the office. Two notable features were the way in which procedures were devised to observe the behaviour of the agent out in the field and the manner in which checking systems were incorporated into office processes. The agent's working life was directed by a series of rules and regulations which were strictly scrutinised for compliance. Office bookkeeping systems doubled as a further checking mechanism so that any irregularities in the agent's work could be detected. In terms or preventing opportunistic behaviour on the part of the agent these measures were very effective. There were few recorded instances in which the AMP was out of pocket as a result of theft or fraud on the part of the agent.

The costs associated with this form of organization were high both in terms of the employment of supervisory staff and the duplication of effort in the checking systems used. This made industrial insurance one of the most costly forms of insurance to provide yet the firm was not unduly concerned about the expense ratio. The reason for this was the much greater concern for the reputation of the Society if policy holder confidence in the firm was undermined through the actions of agency staff. The relationship between the insurer and insured was based on trust. An undermining of that trust had the potential to ruin the firm in the long term. Minimising agency costs was a key consideration in the development of strategies designed to supervise insurance salesmen.

ENDNOTES

[i] Williamson et.al., ‘ Understanding the Employment Relation,’; Lazear, Economics of Personnel,’
[ii] Sundstrom, 'Internal Labor Markets,’ 424
[iii] For example see Merrett and Seltzer 'Work in the Financial Services Industry,’133-52.
[iv] Merrett and Selzter, ‘Work in Financial Services,’ 141; Carter and Carter, ‘Internal Labor Markets’, 589-94.
[v] Boyce and Ville, *The Development of Modern Business*, 35.
[vi] Boyce and Ville, *The Development of Modern Business*, 125.
[vii] Royal Commission on Industrial Life Assurance: Supple, *The Royal Exchange*, 287.
[viii] Supple, ‘Corporate Growth,’74.
[ix] Limited competition came from a small number of local and overseas general insurance companies all of which had ceased to trade in Australia by 1889. Keneley, ‘Evolution of the Life Insurance Industry’, 148.
[x] *Australasian Insurance and Banking Record*, (AIBR) 1891, p. 52.
[xi] Supple, Corporate growth, p. 72.
[xii] *AIBR*, 1891 43.
[xiii] Merrett and Seltzer, ‘Work in the Financial Services Industry,’ 135-40.
[xiv] Merrett and Seltzer, ‘Work in the Financial Services Industry,’ 134-5.
[xv] Blainey, *AMP*, 9-10
[xvi] Williamson,et. al., ‘Understanding the Employment Relation,’ 250-52: Creedy and Whitfield, ‘The Economic Analysis of Internal Labor Markets,’ 255.
[xvii] Blainey, *AMP*, 46.
[xviii] Gray, *Life Insurance*, 86.
[xix] Board of Trade Life Insurance Committee, 2-15.
[xx] Annual statement on new policies issued, *AIBR* 1890-1905.
[xxi] *AIBR*, 1893, 45.
[xxii] AMP Principal Board Minutes 5 December 1889, 16 April 1894, 17 November 1903,
[xxiii] Milgrom and Roberts, *An Economic Approach to Influence Activities,* S155-56.
[xxiv] AMP, Head Office Letterbook 23 December 1904.
[xxv] AMP, Agency Application Form 1904.
[xxvi] Superintendents Magazine October 1931, AMP papers, University of Melbourne Archives.
[xxvii] AMP, Industrial Department Letterbook 29 November 1904, AMP Archives, Sydney.
[xxviii] For example one applicant was rejected on the grounds of having haemorrhoids. Individual agency agreements, AMP Archives, Sydney.
[xxix] This account was held for 13 weeks after the agent left the firm to guard against any short falls in the agents cash books. Transcripts of Proceedings of the Royal Commission on Industrial Life Assurance 1938 , 777.
[xxx] AMP Industrial Department Branch Circular 18 August 1905.
[xxxi] AMP submission to the Royal Commission on Industrial Life Assurance 1938.
[xxxii] AMP Superintendents Magazine October 1931.
[xxxiii] AMP Superintendents Magazine January 1932.
[xxxiv] AMP, Industrial Department Branch Circulars, 21 January 1905.
[xxxv] Forristal, Conditions of Employment.
[xxxvi] AM*P* Industrial Department Branch Circulars, 29 May 1919.
[xxxvii] AMP, Industrial Department Circulars to Superintendents 6 January 1941.
[xxxviii] AMP Record of history of service of agents and brokers. AMP Tasmanian Branch c1911-20.
[xxxix] Keneley, 'In the Service of the Society'
[xl] AMP, Apperly's Special Letterbook, 9 November 1906.
[xli] Industrial Department Instructions to Agents 14 August 1905.
[xlii] Blainey, *AMP*, 197.
[xliii] Transcripts of Proceedings of the Royal Commission on Industrial Life Assurance 1938, 836.
[xliv] AMP, Solicitors Reports c 1920s.
[xlv] AMP, Solicitors Reports c 1920s.
[xlvi] AMP, Industrial Guard Book 13 October 1914.
[xlvii] Report of the Royal Commission on industrial Assurance, Appendix D; Forristal, Conditions of Employment 12.
[xlviii] AMP Submission to Royal Commission
[xlix] Report of the Royal Commission on Industrial Assurance, Appendix D; Forristal, Conditions of Employment 12-15.
[l] Forristal, Conditions of Employment 8.
[li] Application for NSW Life Insurance Field Officers Association for registration
[lii] AMP Submission to Royal Commission on Industrial Assurance

[liii] Forristal, Conditions of Employment 13.
[liv] Industrial Department Guard Book 13 October 1914.
[lv] Report of the Royal Commission on Industrial Assurance, 9.
[lvi] Robinson, Evolution of Industrial Life Assurance,1031-32; Eedy, Industrial Life Assurance, 590-91.
[lvii] AMP, Report of the General Manager of the AMP 14 April 1904, AMP, Chief Actuary's Report 23 August 1911.
[lviii] Dennett, A Sense of Security, 125-27.
[lix] Supple, Royal Exchange, 284-93.
[lx] Rotman Zelizer, *Morals andMarkets*,125-43.
[lxi] Vande Creek, Solomon Huebner, 660-64.
[lxii] AMP Information Digest 25 February 1952.

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