

Remarks by
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before TLROA 13th Annual
Convention, August 11, 1961
Shamrock Hilton Hotel
Houston, Texas

THE INSURANCE INDUSTRY AND THE PUBLIC

It is a wonderful thing to live in a country where any individual can strive to achieve that which is in his heart to do.

It is a wonderful thing to live in a country where a man like Mr. Sam T. Cobb, one of your vice-presidents, can begin with willing hands, a faithful heart, active mind and practically no economic resources and build a worthy insurance company with assets approaching three quarters of a million dollars. As most of you know, he began a number of years ago and by back-breaking work, utmost integrity and unusual capability he has achieved a marked pinnacle of success. He has known the barren years of drought, the poverty of depression times and troubled years of war. He has rejoiced with his people in seasonable years and has participated with them in their successes. He has brought a financial security to those in need of it in time of sorrow. He has contributed to the economic security of his community and of his state. Now he enjoys the trust and confidence of his people and the attainment of worthy and meritorious ambitions and hope. This same story could probably be repeated many times in respect to your members and many times throughout the insurance industry in Texas.

It is a wonderful thing to live in a country where one such as I, born in an adobe house near the banks containing the giddy waters of the Pecos River in Southeastern New Mexico on a single section homestead astride the old Goodnight-Loving trail, can become Chairman of the State Board of Insurance of the State of Texas.

It is truly a wonderful experience to be a part of the modern scene as a citizen of our great America. It, however, carries with it certain responsibility - responsibilities commensurate with our opportunities.

When a group of people secure from the State of Texas a charter for an insurance company and a license to write insurance, the entity thus formed becomes, a trustee of the public interest, a fiduciary of the public welfare. As such fiduciary such company owes the public a scrupulous honesty and plain fair dealing.

In this connection it should be born, in mind by all of those who compose an insurance company of any kind that it will be a better, sounder and more worthy operation if it is not a one-man enterprise. Most companies strive to have able and outstanding men named to their Board of Directors. Too often these men, who are busy with other affairs, do not inform themselves as to the company's business, or actually contribute their thought and direction to the company's business. Each company should have a strong Board of Directors, who attend Board meetings regularly and inform themselves as to the business and affairs of the company and give thought and direction to its administration. Any group of officers will be better officers for having such a Board of Directors behind them. Any company will be a better fiduciary of the public trust having such management.

The State board of Insurance of this State and any other Insurance regulatory authority has the duty to see to it that every such insurance company maintains its ability and does discharge its public trust. In trying to discharge its public trust in this respect, the Board solicits your cooperation and understanding.

May I say here that for an industry which handles in excess of 15-1/2 billion dollars in premiums a year and untold liabilities affecting virtually everyone in the state, that the record shows that a vast majority of the insurance companies discharge their public trust with honor and fidelity, and that all of those in the insurance industry in this state have a right to feel great pride in the industry of which they are a part.

Nevertheless, despite the fact that the insurance industry has guarded well our economic security from crippling losses, the public image of the industry is not as favorable as it should be. Doubtless there are many reasons some of which are the fault of certain individuals or segment of the industry and some of which are not the fault of the industry. Probably one overall reason is that you handle vast sums of money forming reservoirs of financial strength against serious economic loss and because thereof you have an image of great wealth. Such an image often produces an envious reaction and an unfavorable attitude. The cartoonist formerly pictured such an image by drawing a corpulent, hoggish looking person to represent it.

When I was a boy a favored plot of stories of that day was that of the unhappy lot of the dutiful but muchly misunderstood child. This seems to be descriptive of the situation in which the insurance industry finds itself today. The public entrusts to you the stability of their economy, large amounts of premium and the handling of vast amounts in loss claims yet it misunderstands you and has no love for you. In the stories of my youth the end was usually a happy one by all of the misunderstanding being spectacularly cleared up. While I doubt it can be done so suddenly or

spectacularly in your case, I do think it can be done by creating in the minds of the public a more accurate image of the insurance industry as one of active and faithful service. Because of the thousands of persons engaged in the insurance industry in Texas today, it has the opportunity for intimate contact with the public. If the industry as a whole will work together it could certainly influence the public thought and action. I realize the divisions which exist in the industry and the conflict of interest. Nevertheless, the good name of the industry as a whole ought to outweigh these conflicts on a lesser level. I also realize that generally life people are not familiar with the problems and practices of the property-casualty people and vice versa. This, however, will be rapidly overcome as the all-line principle grows and in any event each one in the industry now has some contribution they can make for the welfare of all.

It seems to me that the position of the industry in the public view would be greatly improved if these things were done:

(1) If every company made a sincere and continuing effort to inform its assured, as to the coverage they have. I realize the difficulty here, but believe it to be one of the places where a great deal of good-will could be created and preserved.

(2) If greater cooperation could be achieved between the insurer and the insured. The companies and the insured both complain of this lack of cooperation. A beginning can be made by adjusters affording closer cooperation and information to the insured.

(3) If there was more zealous attention paid to claims and using the contacts thus made to win friends for the industry-not to buy them for this never pays, but by the utmost endeavor to be fair. This includes being sure that internal administrative problems, inter-company problems, and other matters of that nature are not allowed to affect or delay the insured's rights. It also includes selecting adjusters with great care as to their skill and character. It may be they are the employees of an independent firm of adjusters, but in any event they are Mr. Insurance Company insofar as the insured is concerned.

(4) If the various companies did not simply advertise their great reserves, but told the public how these reserves serve the public interest by rendering sure the ability of the companies to meet even severe catastrophe losses, and the contributions made by their investment to the growth and stability of the community, state and nation.

(5) If the industry would police itself more rigidly to rid itself of undesirable elements and practices. This is very important to my judgment. Recently, Mr. Paul Rand Dixon, Chairman of the Federal Trade Commission, in a speech before the 47th Annual Conference of the Better Business Bureaus asked the question: Will the American Private Enterprise System clean its own house, or does it want the government to do it for them? He added very definitely that the federal government is ready and willing to do just that. I am fearful this is too true, and that it would not be in the interest of expanding opportunity or the life and growth of small companies to have that happen. I personally realize this is much more difficult for you to do than for one of the professions. It is something I feel more could be done about, even though I know you cannot all be held accountable for everything that happens.

I believe all of the foregoing are laudable objectives and let us not say that he would not each one do our best to bring these objectives to fruition.

The events of the past thirty days in Austin illustrate the need for an improvement in your situation and in your relationship to the public. The criticisms of the State Board of Insurance were not directed at the Board Members as such or the staff of the department as much as at the industry. Although we may think them ill-advised and unwarranted, and that to some extent they reflect upon the honor and integrity of the Board, but more especially they are directed at the insurance industry as a whole. The public does not separate companies into lines in their thinking - they are all just insurance companies to them. This is illustrated by a report in Austin of a person who thought his life insurance payments were going to be raised because the increase in rates in private passenger automobile rates was publicized. The statements and criticisms that were made resulted in harm primarily to the Texas based companies, and secondarily to all companies. Many people in Texas and elsewhere think the insurance industry in Texas is in chaotic condition. This is brought about by such events as these of the past month and their attendant publicity. For illustration, I received on the first of this month a letter from a businessman in Houston. It began with these words, "The State of Texas has had one insurance scandal after another." And another sentence "The whole insurance business in Texas is a national disgrace, lie could have obtained this erroneous impression in no other way than from the events in Austin as mentioned.

It may prove difficult, but it is a worthy undertaking that all of us use every effort to correct these erroneous impressions, to promote the inherent integrity and dignity of the industry and to make the public aware of that integrity.

Any effort to control the action of the Board on the basis of partisan political consideration at the state level simply adds strength to the not inconsiderable movement in this country to subject all insurance to federal regulation. While this might not be the aim of those concerned, objectivity requires us to recognize that probable result. Also, it

amounts to an effort to control what is arrived at through scientific means by uninformed popular opinion, which can only result in your injury.

The only foundation for trust is trustworthiness. Trustworthiness is something the insurance industry as a whole must achieve for itself, and even a small segment can reflect on the whole if found untrustworthy. When achieved the public must be sufficiently apprised of the truth that it may form correct judgments. It may never learn to love you, but it will respect you.

The function of our Board is such that we realize that a strong, vigorous trustworthy insurance Industry Is in the public Interest. That while preserving the rights and welfare of the insurance buying public, the Board could perform no more useful service than to help promote that end. For my part I would like to help others see you as I have had an opportunity to do and form the high regard for you that I have formed from my experience.

What I have said applied to all of the industry and not just to the group represented here, but I take the opportunity you have afforded to speak to you and through you convey this message to all.

It's a wonderful thing to live in a land of opportunity - but if we share the opportunities we must assume the attendant responsibilities. I ask that we here resolve for ourselves that we shall discharge our every responsibility with fidelity.